VOL 16 No 11 NOVEMBER 1986

SURVEY of Current Affairs

Government and Administration

Ministerial Changes 343
Immigration Rules: Visa Requirements 343

External Affairs and Defence

East-West Relations 345
Conference on Security and Co-operation in Europe 347
European Community 349
Syria: Break in Diplomatic Relations 350
South Atlantic Fisheries 351
Sino-British Relations 352
Aid to Health and Population Activities 352
Shorter Note
International Fund for Agricultural Development 354

Economic and Scientific Affairs

Chancellor's Autumn Statement 355
Chancellor's Mansion House Speech 359
The Stock Exchange: 'Big Bang' 361
Industrial Development Act Report 361
London's Orbital Motorway 363
Shorter Notes
Invisible Trade 364; Help for the Unemployed 364;
Small Firms and Job Creation 365; Trustee Savings Banks Flotation 365;
Use of Private Sector Services by Government Departments 365;
Optical Fibre Submarine Cable Links 366; Tourism Initiative 366

Social and Cultural Affairs

Uprating of Social Security Benefits 367
City Technology Colleges 369
Shorter Note
Support for the Arts 370

Documentation 371

Prepared for the Foreign and Commonwealth Office by Reference Services, Central Office of Information and published by Her Majesty's Stationery Office, London

Annual subscriptions including postage and index £22·50

The *Survey of Current Affairs* is produced primarily for use overseas, but in response to requests has also been made available in Britain. Subscription and distribution inquiries should be addressed to HMSO Books, P.O. Box 276, London SW8 5DT, and editorial inquiries to Reference Services, Central Office of Information, Hercules Road, Westminster Bridge Road, London SE1 7DU. Although the material is Crown Copyright, it may be reproduced without special permission.
Other documents produced by Reference Services, if not on sale through Her Majesty's Stationery Office, may be obtained direct from the Overseas Distribution Unit, Central Office of Information, at the above address on payment of a small charge.

GOVERNMENT AND ADMINISTRATION

Ministerial Changes

The resignation of the Comptroller of Her Majesty's Household, Mr Carol Mather, MC, MP, and a number of appointments to vacancies among the Government Whips have been announced. These complete the recent round of ministerial appointments (see pp 287-8).

The new appointments are as follows:

House of Commons

Comptroller, Her Majesty's Household
Hon Robert Boscawen, MC, MP (former Vice-Chamberlain, Her Majesty's Household)

Vice-Chamberlain, Her Majesty's Household
Mr Tristan Garel-Jones, MP (former Lord Commissioner, HM Treasury)

Lords Commissioners of the Treasury (Government Whips)
Mr Anthony Durant, MP (former Assistant Whip)
Mr Peter Lloyd, MP (former Assistant Whip)
Hon Mark Lennox-Boyd, MP (former Assistant Whip)

Assistant Whips
Mr David Lightbown, MP
Mr Richard Ryder, OBE, MP
Mr Michael Portillo, MP

House of Lords

Lord in Waiting (Government Whip)
The Earl of Dundee

This amends the list *United Kingdom Government Ministers*, COI, No 61/86/3, issued in September.

Immigration Rules: Visa Requirements

Changes in the Immigration Rules to give effect to the visa requirements announced in September for citizens of Bangladesh, India, Pakistan, Ghana and Nigeria wishing to enter Britain have been approved in the House of Commons. In the debate and in an earlier statement the Home Secretary emphasised that the new arrangements were intended solely to relieve pressure at ports of entry, in particular Heathrow, and that no change was being made in the qualifications for entry.

The visa requirements announced on 1 September (see p 289) took effect from 15 October for Bangladesh, India and Pakistan, and for Ghana from 23 October. The date for Nigeria will be announced when the necessary arrangements for staff and accommodation have been completed. Explaining the reason for the change in the House of Commons on 21 October (*Hansard*, Vol 102, No 159, cols 948-64) the Home Secretary, Mr Douglas Hurd, said that there had been growing pressure of people not eligible for admission to Britain seeking to enter and that more than half (53 per cent of a total of 22,000) in the 12 months ended June 1986 were from the five countries concerned. The need to examine more passengers in detail at the port of entry submitted not only them but others to delay. In future the judgment on whether a person was a bona fide visitor would be exercised when the visa application was made in that person's country of origin and there would be a right of appeal against refusal of a visa. It should not be believed that in future people arriving without visas would automatically be admitted if a Member of Parliament intervened on their behalf. He would be making the necessary amendments to the guidelines on Members' representations.

House of Commons Debate

The amendments to the Immigration Rules (*Statement of Change in Immigration Rules, Cmnd 9914* and *Statement of Change in Immigration Rules, HC 584*) to give effect to the visa requirements were approved at the end of a debate on 27 October by 260 votes to 179 (*Hansard*, Vol 103, Nos 163 and 164, cols 77-138). Moving a motion to oppose the changes the chief official Opposition spokesman on home affairs, Mr Gerald Kaufman, claimed that the new arrangements were racially discriminatory. His party was in favour of making visitor control more effective by increasing the number of immigration officers in Britain; this would cost a fraction of the Government's new scheme. They also wanted to protect the constitutional rights of Members of Parliament to make representations [to stop the removal of a passenger who is not eligible for entry].

Ministerial Response

In reply Mr Hurd said that the possession of a visa meant that people could travel to Britain confident of admission. Two exemptions were being made: people settled in Britain who returned after less than two years away and those who were in Britain for a limited but long-term purpose such as work or study, and who made a trip abroad, would not require visas and arrangements had been made for endorsing their passports to this effect.

Turning to the question of modifying the system of representations by Members of Parliament, Mr Hurd said the great majority of representations had been made on behalf of passengers from the five countries. Members had had the right to make representations on behalf of a passenger whom the immigration officer judged did not qualify for admission, but the power to stop removal, without any argument on the facts or merits of the case, had been a unique privilege. Under the new system it would not be right to stop removal automatically if a passenger was refused entry because he had arrived without a visa or other form of entry clearance required under the Immigration Rules. It was fundamental to the scheme that the decision whether a person qualified for entry was made overseas; if a person arrived without having obtained a visa he should return to his country of origin to make his case. To retain an automatic stop on the removal of a passenger simply because a Member was prepared to express an interest in the case would frustrate the visa system, although this was not to say that there would be no exceptions to this rule. The extension of visa requirements supported by the change in the guidelines for handling representations by Members was necessary to restore effective control.

Summing up at the end of the debate, Mr David Waddington, Minister of State at the Home Office, said that immigration staff had been increased every year since 1979 and in 1986 there were 90 more immigration officials in post than in the previous year. The problem facing immigration control over the past year would not have been solved by extra staffing. It was absurd to say that the visa requirement was racially discriminatory. Visas had never been imposed on the basis of colour. Before the present change they were already required from citizens of such countries as Poland, China, the Congo and Burma. The Prime Minister of Nigeria had put the matter into perspective when he said on 3 September that visas were a technical and administrative matter and not a political decision.

EXTERNAL AFFAIRS AND DEFENCE

East-West Relations

Britain has welcomed the substantial progress on nuclear arms control made at a meeting between the leaders of the United States and the Soviet Union, held in Reykjavik in October. At the same time, it has expressed regret at the Soviet Union's insistence that all agreements should be dependent on further constraints on the United States' Strategic Defence Initiative (SDI) research programme. Support for the United States' position at the Iceland meeting was expressed by countries of the North Atlantic Treaty Organisation (NATO) when the Nuclear Planning Group of NATO defence ministers met in Gleneagles, Scotland, on 21 and 22 October.

The Reykjavik Meeting

On 30 September, following discussions in New York between the US Secretary of State, Mr George Shultz, and the Soviet foreign minister, Mr Eduard Shevardnadze, it was announced that the US President, Mr Ronald Reagan, and the Soviet leader, Mr Mikhail Gorbachev, would have a meeting in Reykjavik on 11 to 12 October in preparation for a formal summit meeting in Washington.[1]

During the negotiations the main subject was nuclear arms control including reductions in strategic nuclear forces and intermediate-range nuclear forces (INF), nuclear testing and verification. Both sides agreed on the need to eliminate intermediate-range nuclear forces in Europe and to reduce substantially the number of strategic offensive missiles – by approximately 50 per cent to equal ceilings of 1,600 strategic nuclear delivery vehicles and 6,000 nuclear warheads. They also discussed a freeze on shorter-range nuclear forces in Europe at the level of current Soviet deployments and agreed that negotiations on the reduction of these forces should begin within six months of the conclusion of an INF agreement. The Reykjavik talks, however, ended in deadlock because the Soviet Union linked all arms control agreements, including one on INF, with further limitations in the United States' SDI research programme. The United States had proposed that research, development and testing of the SDI programme should continue while strategic nuclear weapons were being reduced; should the programme prove practical both sides would share the benefits of the research and could deploy the advanced defences. However, the Soviet Union argued that during this period the programme should be confined to laboratory research.

Other subjects discussed at Reykjavik included human rights and regional issues.

United States Proposals

During a television address in Washington on 13 October, President Reagan said that the United States had proposed a ten-year period for the reduction of all strategic nuclear arms, including bombers, air-launched cruise missiles and ballistic missiles. A 50 per cent reduction would take place in the first five years; during the second five-year period all remaining offensive ballistic missiles of all ranges would be eliminated. During this time, research, development and testing of the SDI programme would proceed in conformity with the 1972 Anti-Ballistic Missile (ABM) Treaty, at the end of which the United States and the Soviet Union would be permitted to deploy advance defences. For its part, Mr Reagan said, the Soviet Union had wanted to prevent the development of SDI and had argued that without United States agreement on this all the work towards eliminating nuclear weapons would be cancelled. This, however, was unacceptable to the United States. The SDI programme, he stressed, was the United States' security guarantee in the event of the Soviet Union failing to comply with its solemn commitments. He added: 'SDI is what brought the Soviets back to arms control talks at Geneva and Iceland. SDI is the key to a world without nuclear weapons.' The Soviet Union understood this, having devoted far more resources on its own SDI, but the United States could not agree to the Soviet demand for a new version of the 14-year-old ABM Treaty which the Soviet Union was already violating.

On the issue of human rights and the commitments made at Helsinki in 1975 (see pp 347), Mr Reagan made it plain that an improvement of the human condition within the Soviet Union was indispensable for an improvement in bilateral relations with the United States, 'for a government that will break faith with its own people cannot be trusted to keep faith with foreign powers'. Mr Reagan reiterated the United States' view that when it came to human rights and judging Soviet intentions the words spoken at summit meetings were less important than the deeds that followed.

Another subject of difference between the United States and the Soviet Union discussed in Iceland

[1]At the Geneva summit in November 1985, the two leaders had agreed on the need to place on a regular basis and intensify the dialogue between the United States and the Soviet Union (see pp 376-7, 1985).

was regional conflicts, in particular Soviet actions in Afghanistan, Central America, Africa and South-East Asia. Until Soviet policies changed, Mr Reagan said, the United States would make sure that its friends in these areas would have the support they needed in their fight for freedom and independence.

Soviet Proposals

Reviewing the progress of the meeting with Mr Reagan, Mr Gorbachev told a press conference in Reykjavik on 12 October that his proposal for a reduction by half in all three elements of strategic nuclear forces (that is, land-based missiles, submarine-launched missiles and strategic bombers) had been accepted by the US delegation. On INF, the Soviet Union had been prepared to return to the earlier United States proposal to eliminate all United States and Soviet medium-range missiles in Europe (see pp 359-61, 1981), and to leave completely aside the issue of British and French nuclear forces, the inclusion of which had been part of the Soviet Union's position in the Geneva negotiations. The Soviet Union then had suggested that if both sides could agree to eliminate their European medium-range missiles, it would agree to have 100 INF warheads in the Asian part of the Soviet Union while the United States could have 100 INF warheads on its territory. This proposal had been accepted by the United States. Both sides had also agreed on the need for stricter verification regarding elimination of nuclear weapons.

On the question of SDI in relation to the ABM Treaty, Mr Gorbachev explained that the two countries should strengthen the Treaty by assuming equal commitments not to use the right to pull out of the Treaty during the ten-year period of reductions in strategic missiles: obligations under the ABM Treaty had to be strictly fulfilled, he stressed, allowing only ABM research and testing in laboratory conditions. The United States, however, had insisted on its right to conduct research and testing on every aspect of SDI in and outside the laboratory, including outer space. The Soviet Union could not agree to this.

On nuclear tests, Mr Gorbachev said that the Soviet Union had proposed that talks on banning nuclear explosions should start straight away, during which they could examine the issues of ceilings for the yields of nuclear explosions and the number of nuclear tests each year as well as the status of the 1974 and 1976 treaties limiting nuclear testing.[1] The two countries would thus move towards the elaboration of a comprehensive treaty banning all nuclear explosions.

British Views

In a statement in Parliament on 14 October (*Hansard* (*HL*), Vol 480, No 150, cols 805-6), Baroness Young, Minister of State at the Foreign and Commonwealth Office, said that, although the Reykjavik meeting had not been originally designed as a forum for the conclusion of major arms control agreements, the fact that both sides had used it to get so close to the goal was proof of the value of the meeting and of their commitment to progress. Britain warmly welcomed the extent of agreement that did prove possible, but regretted the Soviet step backwards, at least in Reykjavik, in making all arms control agreements, including one on INF, dependent on further constraints on the United States' SDI research programme. Alliance unity, Lady Young noted, had been 'a major factor in bringing the Soviet Union to the negotiating table and in impelling it so far down the road towards arms control agreements'.

Arms control was not the only important element in East-West relations. Britain applauded President Reagan's determination to press the Soviet Union for progress in resolving regional issues, and for better respect for human rights, without which it would not be possible to build confidence between East and West.

Britain supported the United States in its continuing efforts to build a more stable relationship with the Soviet Union and in East-West relations by seeking progress in humanitarian questions and regional issues and by reaching balanced and verifiable agreements on arms control. 'The Reykjavik meeting', Lady Young continued, 'was only one step in the long road towards these goals. The proposals made there remain on the table. And we are encouraged by the apparent determination on both sides to build on the progress already made. Together with the United States and our other allies, we shall seek to maintain the momentum that has been generated at Reykjavik.'

Speaking at a press conference in Vienna on 4 November, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that Britain saw the new situation after the Reykjavik summit as creating opportunities provided that reasonable prudence was exercised in the search for progress. Britain supported President Reagan's determination to secure deep cuts in United States and Soviet strategic arsenals and was prepared to accept an INF agreement based on the zero option as put forward by the United States at the Geneva talks. Sir Geoffrey continued: 'Britain can accept any arrangement entailing equal numbers of warheads below present Soviet levels down to zero on each side, so long as, among other things, satisfactory arrangements are made to cover short-range INF and Asian SS20s.' It was illogical and a retrograde step for the Soviet Union to make such an agreement conditional on an understanding on SDI.

Sir Geoffrey said that, although the Soviet Union had stated that it was ready to scrap all nuclear weapons within ten years, no-one in Western Europe could view this as satisfactory while the continent lay under the shadow of the Soviet superiority in conventional and chemical weapons. This was why NATO attached particular importance to effective conventional arms control that kept in step with progress in the nuclear field.

NATO Reaction

In a communiqué issued by NATO's Nuclear Planning Group on 22 October, defence ministers endorsed the United States' attempt to conclude far-reaching arms control agreements with the Soviet Union. They urged the Soviet Union to redouble its own efforts towards such agreements, and, noting that the Soviet Union had agreed in 1985 to conclude a separate agreement on intermediate-range nuclear forces (see p 12,

[1] These treaties are the 1974 Treaty on the Limitation of Underground Nuclear Weapons Tests (sometimes called the Threshold Test Ban Treaty) between the United States and the Soviet Union, which banned all underground nuclear tests above 150 kilotons; and the 1976 Peaceful Nuclear Explosions Treaty, which extended the 1974 thresholds to all individual nuclear test explosions and imposed a new threshold of 1,500 kilotons for all group explosions. The agreements have not been ratified by the United States, although both sides have agreed to abide by the constraints.

1985), they called on the Soviet leadership to reaffirm its commitments not to hold an INF agreement hostage to any other agreement. 'A failure to do so would destroy the credibility of the highest Soviet assurances', they warned. In addition, ministers said that any agreements reached in Geneva should not simply codify the existing levels of arsenals but rather seek to achieve substantial reductions in offensive nuclear forces in ways that would enhance stability and minimise the risk of war. In the Geneva negotiations, ministers fully endorsed the United States' positions on intermediate-range and strategic nuclear systems and on defence and space systems (including the exploration of the latter as was permitted by the ABM Treaty).

Turning to the Soviet Union's continuing efforts to upgrade and expand its military capabilities, defence ministers noted with particular concern Soviet efforts involving the full range of strategic forces, longer- and shorter-range INF, and short-range forces including artillery. Improvements in Soviet strategic and tactical anti-missile systems were also noted with concern.[1]

Reviewing the evidence presented by the United States of Soviet violations of existing arms control agreements,[2] NATO ministers renewed their call on the Soviet Union to take the steps necessary to ensure full compliance with its arms control commitments, since a double standard of compliance would be unacceptable and would undermine the security of the Alliance. Therefore, they endorsed the need for effective verification as part of any arms control agreement, and asked the Soviet Union to agree to such concrete measures as mandatory on-site inspection.

Conference on Security and Co-operation in Europe

At a follow-up conference, which opened in Vienna at the beginning of November, Britain and the other 11 member states of the European Community have reaffirmed the need for all signatories of the 1975 Helsinki Final Act to respect all its provisions, including those on human rights.

The Vienna meeting is reviewing the implementation of the Final Act of the Conference on Security and Co-operation in Europe (CSCE), signed in Helsinki in 1975 by 33 European countries and Canada and the United States (see pp 307-15, 1975). While not a legally binding document, the Final Act is a charter and code of behaviour for what the participants hoped would in time become a more normal and open relationship between governments and people in East and West. Previous review meetings took place in Belgrade in 1977-78 (see pp 114-15, 1978) and in Madrid between 1980 and 1983 (see pp 351-5, 1983).

Foreign and Commonwealth Secretary's Speech

Speaking on behalf of Britain and the other Community member states, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, told the conference's opening session on 4 November that their aim was to reduce tension and the risk of conflict, to promote co-operation and to encourage respect for both national and individual rights. Within the European Community the growth of mutual trust had enabled member states to conduct their relations in peace, to break down barriers between peoples and to increase their prosperity. Member states had a special interest in seeing that all Europeans and all states in Europe shared the benefits of peace and prosperity.

Sir Geoffrey said that the Vienna meeting was taking place at a time when there were real prospects for progress in arms control negotiations. The recent meeting between the United States President, Mr Ronald Reagan, and the Soviet leader, Mr Mikhail Gorbachev, in Reykjavik had been a significant and valuable exercise in exploring the ways forward towards balanced and verifiable agreements on arms reductions (see p 345). Community member states hoped that both sides would follow up these new possibilities with energy and vision and make progress not only on security but also in respect of human rights and regional issues. They hoped that the willingness of the Soviet Union to address humanitarian issues at Reykjavik would be reflected in Vienna. The recent Stockholm agreement on confidence-building measures (see pp 317-19) was a good omen for further steps along this path.

The work of the conference, Sir Geoffrey hoped, would be guided by three basic tenets. The first was the all-embracing nature of the CSCE process. Security could not be divorced from the political, economic and human aspects of relations between states. Confidence and trust – essential to effective measures of arms control and disarmament – could not mature in a Europe in which in some countries the rights of ordinary people were ignored. Respect for human rights and fundamental freedoms as set out in Principle VII of the Helsinki Final Act was an essential ingredient of peace. The 12 member states intended to do justice to all aspects of the Helsinki process and maintain a proper balance between them. Secondly, Sir Geoffrey continued, the Helsinki commitments were specific and the peoples of Europe wanted to see their governments honour them. Thirdly, the Helsinki process was about people; it had to fulfil what it promised and give people enough information to enable them to know and act upon their rights. It also had to respect diversity for only in this way could all European neighbours, through contact and interchange, achieve better lives for themselves and contribute to a better world.

[1] According to the Government's *Statement on Defence Estimates 1986* last July (see p 176), the Soviet Union was about to deploy a new mobile intercontinental ballistic missile (ICBM), the SS25, and was continuing to develop another ICBM which was probably rail-mobile and equipped with multiple independently targetable re-entry warheads. New submarines carrying a sea-version of the SS20 missile or an entirely new missile were nearly operational. Other Soviet improvements included the development of cruise missiles of all types, ground-launched, air-launched (from the Blackjack strategic bomber) and sea-launched (to be deployed later in the decade); and the deployment of a short-range nuclear missile and improved artillery, some of which could have a nuclear capability.

[2] According to a report made to the US Congress in June 1986, there were a number of Soviet violations of both the 1972 Strategic Arms Limitation Treaty (SALT 1) and the 1979 Strategic Arms Limitation Treaty (SALT 2). These involved the development of the SS25 ICBM, as well as ambiguous behaviour involving possible violations of SALT 2 that included the Backfire bomber's intercontinental operating capability and its production rate.

Because frankness and free access to information was the only firm foundation for the CSCE – knowledge being 'the best antidote to tension' – the Twelve welcomed the provision of information that would take place under the Stockholm agreement and the increasing emphasis on openness that had come from certain Eastern European countries in recent months. This needed to apply to all aspects of the CSCE process, from the provision of better economic statistics to the freer circulation of books and newspapers.

In applying these guiding tenets, Sir Geoffrey said, an honest and rigorous assessment of compliance with the Helsinki documents was required in order to restore vitality to the CSCE process. Community member states desired to see all the principles of the Final Act and of the Madrid Concluding Document respected and their provisions fully implemented. At present, too many commitments were honoured in the breach. Families remained divided, individuals who did not conform were brought ruthlessly to heel, religious believers were harassed, and would-be emigrants of German, Jewish and other ethnic origins were denied the fundamental right – laid down in legally binding international instruments – to leave the country in which they found themselves. Members of groups established purely to monitor implementation of the commitments freely entered into by their governments had been persecuted. It would remain impossible to establish full confidence between states while people were being harassed daily, sent to labour camps or prisons, or exiled. The code of conduct in basket 1 of the Final Act, embodied in ten principles, had to be respected in letter and spirit. 'In the absence of such respect our countries will be unable to live in harmony, and our citizens unable to achieve full dignity as human beings.'

Referring to the Stockholm agreement, Sir Geoffrey said that much more remained to be done. Participant states had to consider how best to achieve still greater transparency about military acts and intentions by providing more detailed information about military dispositions and activities, by accepting military observers more readily on each other's territory and by ensuring that no military activity could be a source of misunderstanding. At the same time this did not preclude proceeding towards more ambitious measures in order further to strengthen stability and security in Europe. Increased openness and the establishment of a comprehensive and stable balance of conventional forces at the lowest possible level was an objective for all 12 Community member states. 'We believe that the achievement of Stockholm on the path opened up by the Madrid mandate should give an impetus to the process of creating greater confidence and security. We hope others share this aim.'

The European Community saw economic co-operation as an essential element of the CSCE process. This, too, had a human dimension since there was a need for improvements in facilities available to businessmen and for greater opportunities for Western businessmen to meet customers in the Soviet Union and Eastern Europe. There was above all a need for more readily available and usable economic and commercial information. 'Greater openness in these matters would serve an immensely practical end. It is openness and rapid diffusion of information that have helped to generate the West's dynamic economic and technological development.'

Community member states, said Sir Geoffrey, were ready to consider new prospects for co-operation over alternative sources of energy and environmental questions. In doing so the work of other international bodies had to be respected and duplication avoided. The Chernobyl disaster (see pp 141-3, 329-30) had taught the international community that there was no room for a parochial attitude in these questions.

Basket 3 of the Helsinki accord best represented the hopes of ordinary people for practical progress. These standards were happily respected in most of the 35 countries but in others the results had been lamentable. Modern technology made it possible for technical links between newspapers, radio and television to bring peoples closer than ever to each other. Broadcasts needed to be encouraged and not jammed, magazines, books, poems and music circulated and not suppressed, and typewriters and photocopiers made more widely available and not confiscated. One part of Europe had developed the most comprehensive international judicial system ever seen for upholding the rights of ordinary people and in another part the basic standards of the Helsinki accords were all too often not met. The 12 Community member states would work to remove restrictions on travel, to reunify families and to achieve a genuine freedom of emigration. Proposals would also be made on culture, education, science and information since these were all areas which gave scope for improving life and enhancing freedom for all people in Europe.

Governments, concluded Sir Geoffrey, had the responsibility to overcome the political division which had disfigured Europe for decades. They alone could assure their citizens the unimpaired enjoyment of human rights and fundamental freedoms and establish the framework for mutual confidence and the mutual security that could allow people to live their lives in peace and prosperity. Community member states recognised these responsibilities since their citizens had the right to travel freely, their firms to invest freely, and their newspapers, books and magazines to circulate freely. 'The Twelve believe that the Final Act can be a force for good and a force for change in European and East-West relations. If all 35 countries who signed the Final Act implemented its principles, the political atmosphere would be transformed, and not only in Europe. Mutual mistrust would give way to mutual confidence. Uncertainty and insecurity would give way to security. Anxiety would give way to optimism.'

Background

The provisions of the Helsinki Final Act are grouped under four main headings or 'baskets': questions relating to security in Europe, which includes a 'Declaration on Principles Guiding Relations Between Participating States'; co-operation in the field of economics, science and technology and of the environment; co-operation in humanitarian and other fields; and arrangements for the follow-up to the Conference, including reference to ways of implementing its decisions. There is also a section dealing with questions relating to security and co-operation in the Mediterranean.

In the section related to security in Europe, the participating states adopted a declaration of principles which were to guide relations between them. In the

first two principles, they undertook to 'respect each other's sovereign equality and individuality' and their right 'to territorial integrity and to freedom and political independence', and to refrain from the threat or use of force in any way inconsistent with the purposes of the United Nations' Charter and the declaration. These principles were strengthened by others which referred, *inter alia*, to the inviolability of frontiers, the respect for territorial integrity, the peaceful settlement of disputes, and non-intervention in internal affairs (including refraining from direct or indirect assistance to terrorist activities).

In another set of principles (the seventh and eighth), which are the central pivots of the Final Act's human rights provisions, the participating states agreed to respect human rights and fundamental freedoms including the freedom of thought, conscience and religion or belief, and recognised that these rights and freedoms were essential for the development of friendly relations and co-operation among all states. Further, they agreed to respect the equal rights and self-determination of people, stating that 'all peoples always have the right, in full freedom, to determine, when and as they wish, their internal and external political status, without external interference, and to pursue as they wish their political, economic, social, and cultural development'.

This section on European security also includes a document on confidence-building measures, such as prior notification of military manoeuvres and the exchange of observers, aimed at lessening military confrontation in Europe. A new agreement on such measures was concluded in Stockholm in September (see pp 317-19).

In another section in the Final Act, participating states pledged themselves to improve conditions for commercial exchanges, to encourage the development of industrial co-operation and projects of common interest in the field of energy, raw materials, transport and communications, and to foster co-operation in science, technology and the environment. This section also contains a declaration designed to improve good relations with non-participating Mediterranean countries, including the promotion of stability, security and economic development in the area.

In the section on co-operation in humanitarian and other fields, the participants agreed to co-operate with a view to creating better conditions for increased cultural and educational exchanges, broader dissemination of information, and contacts between people, including solutions to humanitarian problems, such as marriage, requests for visits, and the reunification of families, and greater travel and contacts and exchanges among young people.

European Community

On 20 October European Community interior ministers met in London to study new measures designed to maintain and strengthen safeguards against illegal immigration, terrorism, drug trafficking and other serious crime.

Presidency Statement

Frontier Controls

In a statement issued by the Presidency after the meeting, member states agreed to work towards a system of easier frontier formalities for Community citizens that was not open to abuse by terrorists, drug traffickers or illegal immigrants. Ministers therefore set up a working group to consider urgently:

1 stronger checks at external Community frontiers;

2 the contribution that internal checks could make;

3 the role of co-ordination of visa policies of member states in improving controls;

4 the role and effectiveness of controls at internal frontiers in the fight against terrorism, drugs, crime and illegal immigration;

5 exchange of information about the operation of spot check systems;

6 close co-operation to avoid the abuse of passports;

7 measures to achieve a common policy to eliminate the abuse of the right of asylum; and,

8 an examination of ways in which the convenience of Community travellers could be improved without adding to the terrorist threat or to the risks of illegal immigration, drug trafficking and other crime.

Terrorism

On terrorism, ministers noted progress being made on implementing decisions taken on 25 September (see pp 320-1). Procurement of the equipment for the secure communications link between police forces was being urgently pursued and work continued on intensifying liaison between counter-terrorist experts. Arrangements had also been set in place for the mutual exchange of information about people excluded from the territory of one member state so that others could have advance warning of possible risk.

Drugs

Ministers agreed on a plan to step up the fight against drug misuse. This would involve:

1 measures to reduce demand for drugs especially among young people;

2 measures to improve the treatment of addicts and rehabilitation services;

3 steps to ensure that legislation took account of the need to maintain effective control over illicit drug trafficking, particularly at the Community's external frontiers;

4 mutual enforcement of confiscation orders relating to drug traffickers' assets;

5 enhanced co-operation between law enforcement agencies involving the exchange of drug liaison officers between member states, the posting of drug liaison officers to other countries, and the establishment of a world-wide directory of those involved in the fight against drug abuse;

6 preparation of joint assessment by Community ambassadors in drug-producing countries in order to ensure a steady flow of recommendations for action by the 12 member states; and,

7 ensuring that bilateral and Community aid supports as appropriate a recipient country's efforts to combat drug abuse.

Syria: Break in Diplomatic Relations

Britain has broken diplomatic relations with Syria following the trial and conviction on terrorist charges of Mr Nezar Hindawi. During the trial in October evidence was produced of official Syrian support for his terrorist activities and additional evidence revealed the involvement of Syrian intelligence authorities in the affair. Support for Britain's action was expressed by other members of the European Community meeting in Luxembourg on 27 October and in London on 10 November.

The decision to break diplomatic relations with Syria was announced in a statement to the House of Commons on 24 October by the Foreign and Commonwealth Secretary, Sir Geoffrey Howe (*Hansard*, Vol 102, No 162, cols 1503-13). Earlier in the day, Hindawi, a Jordanian citizen, had been convicted and sentenced to 45 years' imprisonment at the Central Criminal Court for attempting to blow up an Israeli airliner on a flight from London's Heathrow Airport on 17 April by concealing a bomb in his girlfriend's luggage.

Foreign Secretary's Statement

Opening his statement, Sir Geoffrey reminded the House of the 'monstrous and inhumane' nature of the crime. If the plot had been successful, he said, hundreds of innocent lives would have been lost. There was conclusive evidence of Syrian official involvement with the terrorist. After his arrest in May, Britain had demanded the withdrawal of three Syrian embassy attachés whose diplomatic immunity the Syrian Government had declined to waive so that the police could question them. Evidence produced during the trial had revealed something of the part those attachés had played in the affair, Hindawi having spent the night after the bombing attempt in Syrian embassy accommodation. The Syrians' claim that they had dealt with him throughout as a bona fide journalist was 'frankly incredible'.

Certain facts, however, were undisputed, Sir Geoffrey continued. Hindawi had travelled on an official Syrian passport using a false name; his visa applications had on two occasions been backed by official notes from the Syrian Foreign Ministry; and he had met the Syrian ambassador, Dr Loutouf Allah Haydar, in the embassy after the discovery of the bomb. In addition, Britain had independent evidence that the Syrian ambassador had been personally involved several months before the commission of the offence in securing for Hindawi the sponsorship of the Syrian intelligence authorities. There was equally compelling evidence that during his detention Hindawi had sought to contact secretly Syrian intelligence officials in Damascus with a request for their assistance in securing his release.

Informing the House of Britain's decision to break diplomatic relations with Syria, Sir Geoffrey said that it was 'unacceptable that the ambassador, members of his staff, and the Syrian authorities in Damascus should be involved with a criminal like Hindawi'. Dr Haydar had been informed of the decision and told to close his embassy and leave the country within 14 days.[1] Security arrangements surrounding the operations in London of Syrian Arab Airlines would be tightened by special controls on all aircraft and crew, including stricter searches of personnel, passengers and baggage. The stricter visa regime introduced in June for Syrians wishing to enter Britain would be strengthened and maintained.

Britain was taking urgent steps to inform its partners in the European Community and others about the details of the case and the measures being taken and was impressing on them the wider security implications of the involvement of the Syrian authorities and urging them to take appropriate supporting action.[2] The Government regretted that these actions had been forced on it by the unacceptable behaviour of the Syrian authorities, and remained determined to play its full part with moderate Arab states in the search for peaceful settlement of the region's problems. Its determination to continue the fight to stamp out terrorism, however, remained second to none.

On the question of British interests in Syria, Sir Geoffrey said that the Government had made it clear to the Syrian authorities that it held them responsible for guaranteeing the continued safety of the 250-strong British community, and the Syrian Government had confirmed that it would continue to take responsibility for the safety of British lives and property in Syria. Even so, British citizens had to understand that if they decided to travel to or reside in Syria, they did so on their own responsibility and that of the Syrian Government. Although Britain intended to establish an interests section in Damascus under the auspices of a protecting power, it was important to be clear that such representation could not provide the full range of consular protection.[3]

Opposition Views

Spokesmen for both the official Opposition and the Liberal Party expressed support for the Government's decision. Mr Donald Anderson, official Opposition spokesman on foreign and Commonwealth affairs, said that it was clearly unacceptable for the Syrian ambassador or his staff to remain if the Government were convinced of that country's involvement in the bomb plot. The Opposition applauded the sentence imposed on Hindawi and shared the Government's sense of outrage at the role of Syrian officials.

European View

Reporting to the House of Commons on 28 October (*Hansard*, Vol 103, No 164, cols 167-8) on the meeting of the Foreign Affairs Council in Luxembourg on 27 October, Sir Geoffrey said that he had given Britain's partners in the European Community a full briefing on the Hindawi case and had presented them with conclusive evidence of Syrian official involvement. Ministers had been both impressed and disturbed (although the Greek representative had not been able

[1] Following Syria's subsequent decision to sever diplomatic relations with Britain and to give British diplomats seven days to leave, this 14 days' notice was reduced to seven.

[2] Following Britain's announcement, the United States and Canada recalled their ambassadors from Syria for consultations.

[3] On 30 October it was announced that Australia would act as Britain's protecting power in Syria and that Lebanon would act as Syria's protecting power in Britain.

to associate himself with any measures or statement against Syria or the Syrian Government). Ministers had expressed both their collective sense of outrage that the agencies of a state had been involved in such an incident and their full understanding and support for the action which Britain had taken. They had also undertaken that no partner would accept as a diplomat any of the Syrians who had been expelled from London in connection with the case.

Community ministers held a further meeting in London on 10 November, after which Sir Geoffrey issued a Presidency press statement in which a number of anti-terrorist measures were announced.[1] In his statement, Sir Geoffrey said that no-one should be in any doubt about member states' unanimous condemnation of international terrorism and their resolve to curb it in all its forms. They wished to send Syria the clearest possible message that its involvement in the Hindawi case was absolutely unacceptable and had therefore decided on a number of measures. These were that:

1 they would not authorise new arms sales to Syria;

2 they would suspend high-level visits to and from Syria;

3 they would each review the activities of accredited Syrian diplomatic and consular missions and apply appropriate measures; and,

4 they would each review and tighten security precautions surrounding the operations of Syrian Air.

Community ambassadors had been instructed to make representations to the Syrian authorities and the Syrian Government had delivered its reply. There were no further facts to be added to those considered by the court which had found Hindawi guilty or to those the embassies had presented to the Syrian authorities. Member states would continue to employ all the political means available in order to persuade the Syrian authorities to translate into concrete action their stated condemnation of international terrorism. In particular they called upon the Syrian authorities to end all forms of support for those groups which had been clearly involved in terrorist acts and to deny them all facilities.

The Community, concluded Sir Geoffrey, had close and important links with all the countries of the Middle East and remained determined to develop and strengthen them. Member states strongly reaffirmed their commitment to contribute in every way they could to the search for just and lasting solutions to the region's problems.

Syrian Response

Following the announcement of Britain's action on 24 October, the Syrian Government denied that it had had any involvement in the Hindawi affair and announced its decision to sever diplomatic relations with Britain and to close the British embassy and the British Council office in Damascus. It gave employees of the embassy and the Council one week to leave the country and asked Syrian Arab Airlines to suspend flights to London. It also closed its airports, airspace and harbours to British aircraft and ships.

[1]The Greek Foreign Minister said that Greece was unwilling to accept the evidence linking the Syrian Government to the Hindawi affair but would, in practice, have no difficulty in observing the measures agreed at the meeting.

South Atlantic Fisheries

An interim fisheries conservation and management zone around the Falkland Islands is to be established by Britain from 1 February 1987 following the failure of Argentina to co-operate on a multilateral approach to the problem.

Giving details in the House of Commons on 29 October (*Hansard*, Vol 103, No 165, cols 323-33), the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that in addition to establishing the zone, which would be generally of 150 miles radius from the Falkland Islands, Britain was declaring the entitlement of the Falkland Islands, under international law, to a fisheries limit of 200 miles, subject to delimitation with Argentina. It was also confirming its rights to jurisdiction over the Islands' continental shelf up to the limits prescribed by the rules of international law. Britain's action had been taken with the agreement of the Governor of the Falkland Islands and the territory's Executive Council, and the necessary legislation would be introduced shortly in the Islands.

Sir Geoffrey pointed out that the rapid increase in fishing in the South-West Atlantic (from 200 to 600 vessels between 1983 and 1985) and its serious impact on fish stocks had aroused widespread concern which was shared by the British Government. From the outset Britain had taken the view that the problem could best be solved on a collaborative basis and, following a British initiative in March 1985, the Food and Agriculture Organisation (FAO) had launched a study in November of that year. Britain had given full support to this study, seeing it as a first step to agreeing multilateral conservation arrangements under FAO auspices. Moreover, Britain had made it clear to the Argentine Government that a solution could and should be found without prejudice to the issue of sovereignty over the Islands.

Some fishing nations had not co-operated fully with the FAO study and its preparation had been delayed. Pending completion of the study Britain had taken steps to reduce by voluntary means the impact of the fishing effort in the 1986 season and had hoped to extend these arrangements into 1987.

Argentina's actions, however, had undermined the multilateral approach. It had embarked on aggressive patrolling within 200 miles of the Falkland Islands and its employment of unlawful force had in one case led to loss of life and the sinking of a vessel.[1] Argentina had also concluded bilateral fisheries agreements with the Soviet Union and Bulgaria.[2] Sir Geoffrey added: 'Through these agreements Argentina purports to exercise jurisdiction that is a matter of international law the entitlement of the Falkland Islands. These agreements are incompatible with the multilateral initiative.'

These Argentine actions had shown an indifference to conservation needs and a preference for obstruction rather than co-operation. Britain, therefore, had decided unilaterally to establish a conservation and management regime. It remained ready, however, to work for a multilateral arrangement and had suggested

[1]In May 1986 a Taiwanese fishing vessel was sunk by an Argentine vessel with the loss of one life.

[2]These agreements were recently approved by the Argentine Senate.

to the Argentine foreign minister that both countries should review how they could co-operate to support conservation on a regional basis.

Fishing within the zone, Sir Geoffrey concluded, would be licensed by the Falkland Islands Government and the licensing would reflect conservation needs. Policing of the zone would be undertaken by Falkland Islands Government civilian fisheries protection vessels and a surveillance aircraft. It was also open to the British Government, Sir Geoffrey said in response to a question, to use armed forces in appropriate circumstances in Falklands waters, as well as in waters elsewhere within its jurisdiction.

For further information on the Falkland Islands, see COI reference paper, *The Falkland Islands and South Georgia and the South Sandwich Islands*, No 152/85.

Sino-British Relations

Britain and the People's Republic of China signed a number of trade and industrial agreements during a visit to China by the Queen from 12 to 20 October

The agreements were signed in Shanghai on 15 October at the conclusion of a two-day seminar on trade and economic development, and include projects on communications, food processing, metallurgical material technology, urban electricity supply and telecommunications equipment.[1] Other business included joint ventures on the provision of plant and equipment and technology transfers. The trade seminar was the largest ever held between the two countries. Sino-British collaboration was further extended by the creation of 90 Royal fellowships, enabling Chinese scientists to visit Britain between 1987 and 1989 to undertake research. The new programme, presented to the Chinese Government by the Queen in Peking on 13 October, will be partly funded by the Overseas Development Administration, the rest being met by British companies and the Chinese community in Manchester.

Trade and Industrial Agreements

Under the various telecommunications agreements Standard Telephones & Cables is to co-operate for five years on the transfer of technology for the manufacture of transmission equipment, and will also establish an advanced technology production facility. Plessey Network & Office Systems in co-operation with Chinese factories in Shanghai is to establish a service, maintenance and technical development centre for a range of digital equipment, as well as providing technology to manufacture fibre-optic devices. Another telecommunications company, Cable and Wireless, won a contract worth up to £13·9 million to modernise telecommunications in the Yangzi delta which includes Shanghai; the company is to install a 1,000-km long digital microwave transmission system and five long-distance exchanges linking 27 towns in the Jiangsu and Zhejiang provinces (the coastal provinces north and south of Shanghai); it is also to participate in joint feasibility studies on further telecommunications infrastructure projects. British Telecom International signed a letter of co-operation for the development of telecommunications in Zhejiang province over the next 14 years.

Other agreements include plans by GEC, Balfour Beatty and British Electrical International for a preliminary study of electricity distribution in Shanghai; also in Shanghai, a consortium of GEC, Balfour Beatty and Hawker Siddeley (the electrical engineers) is to produce the technical specifications, costings and financial proposals for the electro-mechanical systems of the first phase of the planned Shanghai metro railway system. In Ningbo in Zhejiang province, the building of an iron-and-steel complex by the construction firm Davy McKee (Stockton) Ltd was also agreed. Wogen Technology signed a memorandum of understanding with two Chinese companies to build a plain-bearing facility worth £20 million, using equipment and technology purchased from A E Bearing Ltd, the engine-components company. A contract worth £635,000 has been awarded to Woodville Polymer Engineering to provide precision-engineering equipment, as well as supplying training. The firm APV International, which makes food-processing equipment, signed a joint-venture agreement for the manufacture of plate heat exchangers worth some £5 million. Under another joint-venture agreement signed in Shanghai, Morgan Crucible will be involved in the production of refractory materials for industrial uses. An agreement involving British food companies is the sale of technology to China by Baker Perkins, another manufacturer of food-processing equipment.

Background

British exports to China rose from £103 million in 1982 to £396 million in 1985; in the first eight months of 1986 exports were worth £359 million, mainly consisting of machinery, chemicals, scientific instruments and steel. Imports from China rose from £193·2 million to £308 million between 1982 and 1985, and in the first eight months of 1986 amounted to £200 million; these were mainly clothing, textiles, food, and agricultural and light industrial products. (See also pp 185-6, 1985.)

Recently, Britain extended a £300 million loan facility to China for development projects (see pp 220-1). In November, the Secretary of State for Employment, Lord Young, is to lead a trade mission to China aimed to seek out opportunities for British involvement in the field of transport and communications.

[1]The seminar was organised by the Chinese Ministry of Foreign Economic Relations and Trade and the China Council for the Promotion of International Trade and, on the British side, by the British Overseas Trade Board, the Sino-British Trade Council and the 48 Group of British companies trading with China.

Aid to Health and Population Activities

The relationship between population growth and health, the plight of children in the poorest countries and the British Government's policy towards population issues, were among the

topics examined in a speech by the Minister for Overseas Development, Mr Christopher Patten, on 6 November.

Addressing a seminar in Westminster on the needs of children in the poorest countries, Mr Patten said that many millions of people in the developing world lived without enough food, clean water, safe sanitation, competent health care and education. Growing up without such basics was a struggle and no-one could promise children that adult life would be noticeably better. They were all too likely to find themselves bringing up their own children in similar conditions. The problems of poverty were infinitely complex and were caused by political, economic, social, historical and geographical factors. Some of the solutions to such problems lay in improving the basic economic performance of developing countries. The promotion of sustainable economic and social progress in developing countries, especially the poorest of them, was a fundamental objective of Britain's aid programme (see pp 262-9). Children were the most vulnerable section of any community and as such constituted a highly sensitive marker to the successes and failures of overseas aid. What Britain and other donors were trying to do in the developing world would affect them, in the present and for the future.

Population Growth and Health

Mr Patten pointed out that in addition to such issues as the quality of Britain's aid effort, the importance of improving agriculture and the need for liberalisation of world trade, the question of population growth was of substantial and continuing relevance to the needs of children in the poorest countries.

Although it had taken from the beginning of time to the beginning of the twentieth century for the world's population to reach 2,000 million, it was now over 5,000 million, and would reach 6,000 million before the end of the century. Most of this growth was taking place in developing countries, where population growth rates as high as 4 per cent a year meant that a country's population would double every 18 years. If economic and social adjustments could be made fast enough and technical change guaranteed, then such growth would not be a problem. In some developing countries, particularly in Africa, however, the population was growing so fast that a significant rise in incomes per head could only be achieved by economic growth rates higher than those enjoyed by developing countries over the past 50 years or so. While rapid population growth did not necessarily prevent *per capita* income from rising, in most cases it made it more difficult.

On the question of the relationship between health and population, Mr Patten said that an infant's chance of survival could depend a good deal on how many children its mother had had and on how closely the births were spaced, since leaving at least two years between one pregnancy and the next could halve the risk of a child's death. Malnutrition, too, was more common in families of closely spaced siblings and the risks for the mother's health also increased with the number of children she had. Maternal mortality was under-reported in the developing world but 'maternal causes' were the most common reasons given for the deaths of women between the ages of 25 and 35, more than 1,000 young mothers in the developing world dying every day.

British Policy

Both in its national programmes and as a major contributor to Europe's aid effort, Britain had to confront the issue of population growth. Anything that Britain did in this highly sensitive area had to be firmly rooted in respect for individual beliefs and for the fact that the responsibility for implementing population policies and programmes rested with developing country governments themselves. Couples had always to have the right to choose voluntarily how many children they wanted and, so far as was possible, when they wanted to have them. It had to be ensured that programmes offering family planning services were never coercive. Fundamental to British policy was the recommendation, accepted at the 1984 Mexican Conference (see p 346, 1984), that abortion should not be promoted as a method of family planning.

On the international level, Mr Patten continued, Britain had long felt that the European Community needed to recognise the problems raised by the present levels of population growth in some countries, and to formulate a strategy for using its aid programmes to help investigate them. A British draft resolution on the subject for consideration by the Community had been prepared. Its main principles were:

that the Community should help those countries which wanted to establish or had already established population policies;

that any such policy had to respect fully freedom of choice;

that the Community should assist in compiling statistical and other data about population; and,

that population activities needed to be integrated into wider programmes and projects and to lay stress on the importance of training and the provision of information.

Britain's Contribution

British assistance through bilateral and multilateral contributions to health, population and nutrition activities in developing countries has risen from £20 million in 1981 to over £30 million in 1985. Bilateral health assistance programmes attach particular importance to maternal and child health and include projects which focus on community health facilities and the key role of women in development. In the Indian state of Orissa, for example, Britain is working closely with the state government on extending and upgrading primary health care centres and sub-centres, training nurses and other health personnel particularly in public and community health, and developing health educational material and expertise. In The Gambia, Britain is involved in a regional programme for combating childhood communicable diseases and in Kenya, a country estimated to have the world's fastest growing population, is contributing with other donors to a project which is designed to create an interest in family planning services as well as improving the availability and quality of services offered at rural health and family planning clinics.

For these and similar projects, a reserve of expertise in Britain provides direct support to a number of specialist units with population and tropical health experience. Many of these units are at the forefront of

work to develop low-cost and highly effective ways to protect the lives of children. An example of this kind of research is work on growth monitoring being carried out at the Institute of Child Health at the University of London.

British aid also helps finance a number of multilateral programmes devoted specifically to population and health. Much of this assistance is channelled through organisations such as the United Nations Fund for Population Activities and the International Planned Parenthood Federation, Britain's contributions to which have more than doubled from £5·5 million in 1980 to just over £12 million in 1986. Britain is also a strong supporter of the United Nations Children's Fund and has recently agreed to provide a further £1 million for its programmes in Africa. In addition, about 40 per cent of the total aid programme (£1,317 million in 1985 – see p 262) is channelled through the major multilateral agencies such as the World Bank, the European Community and the United Nations, all of which fund health and population projects.

A valuable role is played by British voluntary agencies in improving the well-being of mothers and children and encouraging them to take responsibility for their own health by involving local communities in the planning and management of their own services. Non-governmental organisations and voluntary agencies have been responsible for pioneering this approach to health. The Government provides a substantial level of support for these organisations (£7·7 million in 1986) which helps to fund over 1,000 volunteers working in developing countries. Assistance to the poorer sections of the community is achieved through the Joint Funding Scheme (see p 265), under which the Government matches contributions to projects run by 24 charitable agencies. In 1986 the scheme received £5·5 million, the bulk of which was dispersed through Oxfam, the Save the Children Fund, the Catholic Fund for Overseas Development (CAFOD) and Christian Aid. Current schemes include a corrective surgery and rehabilitation project and vocational training for handicapped children in India by the Save the Children Fund, a rural health population project in Nigeria run by CAFOD and an Oxfam project in Tanzania devoted to the training and education of women.

Shorter Note

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Britain is to provide over £16 million to the International Fund for Agricultural Development (IFAD) – £9·2 million for its lending programme for the years 1986 to 1988 and £7 million for its special programme for Africa, designed to support long-term development in those countries most susceptible to drought and desertification. The former contribution represents Britain's share (4·79 per cent) of the $US 276 million pledged by donors belonging to the Organisation for Economic Co-operation and Development (OECD) to the Fund's second replenishment, agreed at its annual meeting in January. Countries belonging to the Organisation of Petroleum Exporting Countries (OPEC) pledged $US 184 million towards the programme, the total resources of which are expected to amount to some $US 484 million.

IFAD came into being as the result of a resolution by the World Food Conference in Rome in 1974 (see pp 21-23, 1975), which urged the creation of a new fund to finance agricultural development projects in developing countries. It provides money on easy terms to help introduce, expand or improve food production, thereby bringing about rises in income for the rural poor, and improving nutrition among the poorest people. It is a partnership between three groups of countries – the OECD, OPEC and non-oil-exporting developing countries – each of which holds one-third of the voting power. The Fund is financed largely by contributions negotiated periodically on the basis of equitable burden-sharing between OECD and OPEC countries. The initial funding and first replenishment (in 1981) amounted to some $US 2,124 million, to which Britain contributed nearly £31 million.

The special programme for African countries was established in January, and its objectives are essentially the same as those of the Fund. It is restricted to 24 countries in sub-Saharan Africa[1] and is funded by separate voluntary contributions. So far, ten other Western donors and one developing country have promised contributions, with pledges amounting to some $US 134 million. The United States Congress has authorised a contribution of $US 10 million, and this, with Britain's pledge, will bring the total to over $US 150 million.

Announcing the new British contributions in the House of Commons on 24 October, the Minister for Overseas Development, Mr Christopher Patten, said that there was an obvious need to boost what was being done by donors to revive African food production at a time when so many African governments had pledged themselves to very far-reaching reforms in their agricultural policies and institutions. He hoped that the decision to contribute to the special programme would be seen as a reaffirmation of Britain's commitment to strengthening the development of agriculture in the Third World, and particularly in Africa (see p 268).

Sources: *Hansard*, Vol 102, No 162, cols 1470-99. Overseas Development Administration press notice, 24.10.86.

[1]The 24 countries included in the special programme are: Angola, Botswana, Burkina Faso, Cape Verde, Chad, Djibouti, Ethiopia, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Mali, Mauritania, Mozambique, Niger, Senegal, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

ECONOMIC AND SCIENTIFIC AFFAIRS

Chancellor's Autumn Statement

Plans for increased public expenditure in priority sectors were announced by the Chancellor of the Exchequer, Mr Nigel Lawson, in his autumn statement to the House of Commons on 6 November. However, with the economy forecast to grow more rapidly than public expenditure, the Government was still aiming for a continued reduction in public expenditure as a proportion of gross domestic product. Although the current account of the balance of payments seemed likely to run into deficit in 1987, Mr Lawson forecast sustained growth with sharply rising non-oil exports.

AUTUMN STATEMENT

The Chancellor was making the customary autumn statement on the expected outturn for public expenditure in the current financial year and government plans for the next three as well as changes in National Insurance contributions for the following financial year (*Hansard*, Vol 103, No 171, cols 1083-98). He was also publishing the economic forecast for the next calendar year as required by the Industry Act 1975 (see p 487, 1975). These are brought together in a single document.[1]

Public Expenditure and Receipts

The public expenditure planning total in 1986-87, Mr Lawson began, now looked likely to amount to some £140,500 million (see Table 1). This was £1,300 million, or a little under 1 per cent, above that allowed for in the last public expenditure White Paper.[2] The main reason for the excess was a rise of 9 per cent – far greater than had been provided for – in the current spending of local authorities. However, other items of expenditure – notably debt interest – were likely to fall short of the level forecast at the time of the Budget,[3] thus reducing the overrun of expenditure to about £500 million.

With regard to receipts (see Table 2), North Sea taxation in 1986-87 was likely to be even lower – by some £1,000 million – than evisaged at the time of the Budget, largely because the price of oil had for a long time been below the $15 per barrel on which the Budget calculations had been based. This shortfall, however, was more than offset by the continuing buoyancy of non-oil tax revenues, of value added tax and corporation tax in particular. Non-oil tax revenues now seemed likely to exceed the Budget forecast by £2,000 million. This would imply a net overrun of receipts of about £1,000 million – rather more than for expenditure.

The overrun would, however, be reduced by a proposed change in North Sea taxation. The Chancellor pointed out that the collapse in the oil price had led to a sharp cutback in investment in the North Sea, with inevitable consequences for the offshore supplies industry in the north east and in Scotland. He therefore intended to accelerate, on a carefully targeted basis, the arrangements for the repayment to the oil companies of advance petroleum revenue tax due to them. This would cost some £300 million in 1986-87 but the sum would be fully recovered over the next three years.

With this taken into account, the public sector borrowing requirement for 1986-87 (see Table 3) was still forecast at about £7,000 million – as set in the Budget.

Turning to public expenditure plans for the next three years, Mr Lawson said that, since 1982-83, public spending, both before and after deducting the proceeds of privatisation, had been declining as a proportion of gross domestic product (GDP). The figure was set to be still lower in 1986-87, and the Government was determined to ensure a continuation of this trend. By 1989-90 public spending as a proportion of GDP would be back to the level of the early 1970s.

However, within this overall constraint and while keeping its policy priorities intact, the Government was allowing an increase in the previously announced totals for 1987-88 and 1988-89. Based on the prospective outturn for 1986-87, the public expenditure planning total was set to grow, in real terms, by an average of about 1·25 per cent a year in 1987-88 and 1988-89. This was well within the prospective rate of growth for the whole economy. At £148,600 million for 1987-88 and £154,200 million for 1988-89, the new planning totals represented increases of £4,700 million and £5,500 million respectively over the totals previously published. The planning total for 1989-90 was being set at £161,500 million.

In keeping with usual practice, these totals incorporated estimates for the proceeds of privatisation. In 1985 the figure had been set at £4,750 million for each of the years 1986-87, 1987-88 and 1988-89 (see p 389, 1985). The Chancellor expected the 1986-87 figure to be achieved. Although the privatisation programme was 'now moving ahead more strongly than ever before', he had decided to make only a

[1] *Autumn Statement 1986*. HM Treasury. Cm 14. HMSO, £4·80. ISBN 0 10 100142 8.

[2] See article on pp 43-5, later reproduced as COI reference paper *Britain's Public Expenditure Plans 1986-87 to 1988-89*, No 240/86.

[3] See article on pp 120-6, later reproduced as COI reference paper *Britain's Budget 1986*, No 241/86.

modest addition to this figure for later years; it would now be £5,000 million for each of the years 1987-88, 1988-89 and 1989-90.

The new planning totals also contained substantial reserves, ranging from £3,500 million in 1987-88 to £7,500 million in 1989-90.

Mr Lawson explained that the public expenditure increases allowed the Government to make realistic provision for both local authority current expenditure – over which the Government had no direct control – and demand-led programmes such as social security, while still leaving scope for increased spending on services to which the Government attached particular priority. However, he stressed that there was 'no question of allowing the projected increases in public expenditure over the next two years to undermine the prudence of the Government's overall fiscal stance. The Government's fiscal stance has been clearly set out in the medium-term financial strategy published at the time of this year's Budget. There will be no relaxation of that stance.'

The largest increase in public expenditure was that for local authorities. Their current spending for 1987-88 had been set at £4,000 million above the previous provision. This was a reflection of two things: first, the fact that the earlier plans had simply carried forward

Table 1

General Government Expenditure

£000 million

	1985-86	1986-87
Public expenditure planning total	133·5	140·5
Interest payments*	17·5	17·5
less public corporations' market and overseas borrowing*	−1	−1
Other adjustments*	6·5	5·5
Total (in national accounts terms)	158·5	164·5

*These are adjustments made to convert the planning total into general government expenditure on a national accounts basis. Other adjustments include capital consumption, value added tax refunded to local authorities and transactions concerning certain notional public sector pension funds.

Table 2

General Government Receipts

£000 million

	1985-86	1986-87
Taxes on income, expenditure and capital	114·5	118
National Insurance and other contributions	24·5	26·5
Interest and other receipts	13	12
Accruals adjustments	−0·5	—
Total	151·5	156·5
of which		
North Sea revenues (including allowance for change in advance petroleum revenue tax in 1986-87)	11·5	4·5

Table 3

Public Sector Borrowing

£000 million

	1985-86	1986-87
General government expenditure	158·5	164·5
General government receipts	151·5	156·5
General government borrowing requirement	7	8
Public corporations' market and overseas borrowing	−1	−1
Public sector borrowing requirement	6	7
As a percentage of gross domestic product	1·5	1·75

Table 4

Public Expenditure Plans from 1986-87 to 1989-90

£ million

	Estimated outturn 1986-87	Planned expenditure 1987-88	1988-89	1989-90
Ministry of Defence	18,600	18,790	18,980	19,470
Foreign and Commonwealth Office				
Overseas Development Administration	1,320	1,360	1,400	1,440
Diplomatic wing	670	700	730	750
European Community	1,090	870	440	1,060
Common Agricultural Policy	1,520	1,660	1,780	1,880
Domestic agriculture, fisheries and food	920	880	900	900
Forestry Commission	50	50	50	60
Department of Trade and Industry	1,370	1,110	960	950
Export Credits Guarantee Department	250	160	110	50
Department of Energy	170	−90	−50	−250
Department of Employment	3,970	4,050	4,240	4,340
Department of Transport	4,920	5,140	5,080	5,140
Department of the Environment				
Housing	2,850	3,200	3,020	3,090
Property Services Agency	−90	−90	−90	−90
Other environmental services	4,070	3,850	3,890	3,930
Home Office	5,260	5,540	5,700	5,870
Lord Chancellor's Department	620	670	720	770
Department of Education and Science	15,950	16,600	17,350	17,840
Office of Arts and Libraries	800	810	830	860
Department of Health and Social Security				
Health and personal social services	17,960	19,100	19,840	20,720
Social security	44,500	46,000	47,400	49,300
Chancellor's departments	2,070	2,230	2,320	2,420
Territorial and other departments	17,000	17,800	18,300	18,800
Privatisation proceeds	−4,750	−5,000	−5,000	−5,000
Reserve	—	3,500	5,500	7,500
Adjustments	−700	−260	−270	−280
Planning total	140,400	148,600	154,200	161,500

Note: Differences between totals and the sums of their component parts are due to rounding.

Table 5

Economic Prospects

	1986	1987
Output and expenditure at constant 1980 prices (percentage increase on previous year)		
Domestic demand	3·5	3·5
of which		
Consumers' expenditure	5	4
General government consumption	1·5	1·5
Fixed investment	2	2·5
Change in stockbuilding (as a percentage of gross domestic product)	—	0·5
Exports of goods and services	1	3
Imports of goods and services	5	4·5
Gross domestic product		
Total	2·5	3
Manufacturing	—	4
Balance of payments		
Current account (£000 million)	—	−1·5
Inflation		
Retail prices index (percentage increase between fourth quarters of successive years)	3·25	3·75

the same level of cash spending from 1986-87 to 1987-88; and, secondly, the fact that taxpayers' contribution to local authority spending – Exchequer grant – was in 1987-88 being raised by almost 10 per cent (nearly £1,500 million) over the 1986-87 figure (see pp 64-5).

The spending figures (see Table 4) demonstrated in particular the priority that the Government attached to education, which accounted for about half the increase in provision for 1987-88 and 1988-89. In addition to the increased provision for school education, which formed part of local authority current spending, there would be additional spending on universities, amounting to £60 million in 1987-88 and £70 million in 1988-89. Similarly, spending on health and personal social services would be increased by more than £600 million in 1987-88, and this, combined with the extra resources being generated by increased efficiency, would enable the National Health Service both to cope with the growing number of elderly patients and to improve services. The gross provision for housing investment in 1987-88 was being raised by £450 million, and would sustain the rising trend of spending on local authority renovation and improvements and provide additional resources for housing associations. A sum of £1,750 million was being added to the 1987-88 provision for social security, most of it to allow for a higher level of expected spending on existing means-tested benefits. Provision for investment in roads – mainly those within the jurisdiction of local authorities – was being raised by £65 million in 1987-88 and by £75 million in 1988-89. There would also be a substantially increased provision for the police.

The defence provision remained largely as planned in the last public expenditure White Paper. The programme would continue to benefit from the substantial real growth in previous years and the action to improve efficiency and value for money.

Total additions to planned capital expenditure in 1987-88 amounted to almost £1,000 million, of which about two-thirds was spending by local authorities.

Full details of decisions on expenditure, together with information on running costs and manpower, would appear in the public expenditure White Paper, to be published early in 1987.

National Insurance Contributions

The uprating of social security benefits had been announced by the Secretary of State for Social Services on 22 October (see p 367). The Chancellor now told the House of the changes in the earnings limits for National Insurance contributions to take effect in April 1987. The lower limit for Class 1 contributions[1] would be raised from £38 to £39 a week, in line with the single person's pension, while the upper limit would be increased from £285 to £295 a week. The upper limit for the 5 per cent band would be raised from £60 to £65 a week and that for the 7 per cent band from £95 to £100 a week; the upper limit for the 9 per cent band (applicable to employers' contributions only) would be increased from £140 to £150 a week.

[1]There are four classes of National Insurance contribution. Class 1, paid by employees and employers, covers the bulk of the working population. Two of the other classes cover the self-employed and the fourth may be paid voluntarily for pension purposes.

The Treasury supplement to the National Insurance Fund would be cut from 9 per cent to 7 per cent. This would not, however, lead to any change in contribution rates.

Economic Forecast

Outlining the Industry Act forecast (see Table 5), Mr Lawson said that both growth and inflation in 1986 had turned out to be slightly lower than he had envisaged at the time of the Budget. Growth was now likely to amount to 2·5 per cent, compared with a Budget forecast of 3 per cent, and the annual rate of inflation in the fourth quarter of 1986 was likely to be 3·25 per cent, compared with the forecast of 3·5 per cent. The principal reason for slower growth had been the disappointing performance of exports, which had suffered from the cutback in spending by countries affected by the sharp fall in the prices of commodities, particularly oil. Combined with a halving in the value of Britain's own oil exports, this had meant a significant deterioration in the current account of the balance of payments – from a surplus of some £3,500 million in 1985 and a cumulative surplus of £21,000 million over the period 1980-85 to a forecast of broad balance in 1986.

The prospects for 1987 were generally encouraging. While the necessary adjustment of the sterling exchange rate to the oil price collapse had now taken place, it would inevitably be some time before the full benefits came through in the form of higher non-oil exports and lower import growth. Accordingly, the current account was likely to go into deficit in 1987 – for the first time since 1979 – by about £1,500 million. Despite this, non-oil exports were forecast to rise in 1987 by 5·5 per cent, compared with an increase of only 1 per cent in 1986, with manufacturing output rising, in consequence, by 4 per cent. With domestic demand continuing to expand at the same rate as in 1986, the economy as a whole was likely to grow by 3 per cent in 1987 – the sixth successive year of steady growth at an average rate of nearly 3 per cent. Recorded inflation was likely to increase slightly, to an annual rate of 3·75 per cent in the fourth quarter of 1987. This was almost entirely due to the timing of the changes in the mortgage rate. 'The Government's commitment to a monetary policy that will squeeze out inflation remains unabated', the Chancellor declared. The likelihood of faster growth in 1987, at a time when unemployment already appeared to have stopped rising, suggested that the prospects for some fall in unemployment were now more promising. 'But this promise could still be frustrated by excessive pay settlements', he warned.

Conclusion

The Government's strategy since 1979, Mr Lawson concluded, had brought inflation down to the lowest level for two decades. This had been combined with sustained growth and steadily rising living standards – a combination that had eluded successive governments for a generation. It had been brought about 'by the determined pursuit of free markets and sound money. And that is what we will stick to.'

OPPOSITION VIEWS

For the official Opposition, Mr Roy Hattersley welcomed the increased expenditure on health, housing

and education even though the increases for health and housing were, he said, small. He suggested that expenditure on means-tested benefits was greater than expected because long-term unemployment was much higher than envisaged and that the buoyancy of non-oil tax revenues was largely the result of wage rises that had outstripped inflation. Mr Hattersley expressed scepticism about the Chancellor's conversion to public spending and the continuation of such policies over a substantial period. The autumn statement had done nothing to help put the economy right or to reduce the unacceptably high level of unemployment.

Mr Ian Wrigglesworth, a member of the Social Democratic Party, suggested that the long-term damage of the Government's policy was borne out by the current account deficit forecast for 1987 and the likely persistence of unemployment at a high level. He asked if Mr Lawson would change policies so that demand was channelled into investment and exports rather than into consumption and imports.

GOVERNMENT REPLY

Replying to Mr Hattersley, the Chancellor said that the buoyancy of tax revenues was due, above all, to continuing vigorous economic growth and to the greatly increased profitability of companies, which had led to a large rise in the yield of corporation tax.

In response to Mr Wrigglesworth, Mr Lawson said that, given the sudden halving in Britain's oil export earnings, there would inevitably be a period during which the current account would fall into deficit before the non-oil sector – which constituted the greater part of the economy – could increase exports sufficiently and compete more effectively against foreign producers. He foresaw balanced growth, with consumption, investment and exports all rising.

Chancellor's Mansion House Speech

Changes in City practices provided outstanding opportunities for British firms but only if they were strong enough to withstand overseas competition, the Chancellor of the Exchequer, Mr Nigel Lawson, said at the Lord Mayor's Banquet for Bankers and Merchants of the City of London at the Mansion House on 16 October. He also reiterated that short-term interest rates remained the cornerstone of monetary policy. The prospects for output and exports in 1987 were good while, over the next few months, inflation was likely to continue around its present low level.

Change in Financial Markets

Financial change in the City ('Big Bang' – see p 361), the Chancellor began, was above all a response to intense competitive pressures on an international scale. The major financial centres were rapidly becoming part of a global market with a high rate of innovation and in which traditional distinctions – between national and international markets and between different types of financial institution – were becoming increasingly blurred. Few sectors of the economy had had to adjust so much in order to keep ahead of overseas competitors. Equally, the Government had had to move swiftly in order to construct a regulatory framework (see pp 51-4) that was flexible enough to cope with continuing change.

A thriving financial sector, the Chancellor continued, was crucial to the success of any free enterprise economy. In the City, Britain had 'a national asset of enormous potential, whose success will bring great benefits to the whole country'. He warned that competition and change brought with them high risks as well as high rewards. If, as he thought likely, the new climate proved 'too bracing for some', the authorities would not prevent financial companies from going out of business. The authorities were, however, responsible for minimising the risk of customers being dragged down with a failing enterprise. Mr Lawson was in no doubt that the system would be better able to weather occasional difficulties if those who profited from freer markets took the opportunity to strengthen their capital base.

He did not share the pessimism of those who feared that British firms would account for a disproportionate share of casualties. British firms had been swift to attract new capital. Also, the City had survived as a major financial centre through four decades of exchange controls partly because, in areas where British firms were free to compete internationally – insurance and foreign currency business, for example – they did so successfully against overseas competitors.

Britain welcomed representatives of all nations to the City. However, the Government was committed to obtaining reciprocal treatment for British firms in overseas financial centres. In particular, this had been made clear to the Japanese authorities; in the past year or so five more British-owned businesses had been granted licences to operate in Tokyo, with more applications in the pipeline. As the ultimate sanction, the Financial Services Bill [which received the Royal Assent on 7 November] would give the Government statutory powers to refuse, restrict or remove authorisation in the case of financial institutions whose national authorities did not provide reciprocal facilities for British firms.

The British authorities were also alert to the risk that over-zealous price cutting could erode the benefits of increased competition. Whatever the short-term benefits to the consumer, such practices were ultimately anti-competitive and potentially destabilising for the whole system.

The Government attached the highest importance to effective supervision, investor protection and the energetic prosecution of fraud. For its part, the Bank of England had greatly increased the resources devoted to banking supervision. The new Board of Banking Supervision (see p 11) was already in operation while the Government hoped to introduce shortly a Bill to strengthen the statutory framework for supervision. The Chancellor said that he understood the concern of those who argued that regulation imposed economic costs and who pointed out the risk that the British authorities' insistence on high standards would mean that the City would be at a disadvantage compared with centres with laxer regimes. The remedy

was to assign a high priority to international co-operation and co-ordination.

Mr Lawson once again expressed concern at the fact that British industry was still too inclined to take a short-term view. This manifested itself in insufficient spending on training and on research and development and in excessive spending on pay. The preoccupation with short-term considerations was most marked in City institutions and the financial markets. Many industrialists and people in business felt strongly that their ability to take a long-term view was inhibited by an excessive emphasis on short-term performance by fund managers and by the City's vested interest in large movements of exchange rates and interest rates. However, he also pointed out that the boards of large industrial corporations sometimes exerted pressure for short-term results on their pension fund managers. 'Bad blood between industry and finance is bad for Britain, and all of us need to do whatever we can to eradicate its causes', the Chancellor warned.

Financial Policy

Fiscal policy was posing no problems. Public borrowing for the first half of the 1986-87 financial year was broadly on target and Britain, unlike many countries, was experiencing a gently declining ratio of public debt to national income.

Credit and the broad definition of money had been growing fast, and the Chancellor understood the anxiety aroused on this score. It was clear, he said, that the liberalisation of the financial system, the ending of mortgage rationing and the increase in competition between financial institutions would lead to a steady rise in the ratio of broad money to gross domestic product. This had, indeed, been a consistent feature of the 1980s. There was every sign that people were voluntarily holding increased amounts of broad money; as long as this remained the case, the growth in broad money was not inflationary.

One result of the growth in credit had been a rise in the ratio of personal debt to personal income. However, this had been matched by a similar growth in personal holdings of liquid assets, and the ratio was still lower than the comparable figure in the United States.

As Mr Lawson had pointed out in a speech in April (see p 150), short-term interest rates were 'the essential instrument of monetary policy'. His objective had therefore been to keep them, on average, at whatever level was necessary to produce monetary conditions that bore down on inflation. In the circumstances prevailing earlier that week, when indicators such as narrow money and the exchange rate had been pointing towards an easing of monetary conditions, both he and the Governor of the Bank of England had judged that a rise in interest rates of one percentage point was appropriate. This would give a substantial margin over the equivalent rates in the United States and would imply British rates of around 8 per cent in real terms.

The Government had reduced inflation to its lowest level in 20 years. This reduction had been combined with sustained growth and rising living standards. 'We have done it by sticking to policies of sound money and free markets. And that is the way we intend to continue.'

Prospects for the British Economy

The initial effect of upheavals in relative prices – of the dollar, commodities and oil – had been to slow down the rate of growth in world economic activity. But, the Chancellor pointed out, just as each of the large oil price increases in the 1970s had been followed by a delay of some months before output was adversely affected, so the benefits to economic activity from cheaper oil were only now beginning to emerge. He expected a gradual quickening in the pace of world economic growth over the next year.

In Britain, domestic demand had risen rapidly in 1986, as expected at the time of the Budget, while inflation had fallen even more sharply than had then been forecast (see p 121). Even if the fall in the mortgage rate over the last year were disregarded, the annual rate of inflation was only a little over 3 per cent. Mr Lawson expected it to continue around this level for the next few months.

He had been disappointed at the growth of world trade – and thus of British exports – particularly in late 1985 and early 1986. Imports into the industrialised countries had risen along with domestic demand but the oil- and commodity-producing countries had cut back their imports much faster than expected. As a result, after nearly five years of steady growth of almost 3 per cent a year, total British output in 1986 had increased by rather less than had been envisaged at the time of the Budget. But the Chancellor expected this pause to be only temporary and that output growth in 1987 would be faster. There were already encouraging signs: in recent years – in sharp contrast to the previous pattern – Britain had maintained its volume share of world trade in manufactures; also, exports had resumed the vigorous growth they had shown before the pause. While domestic demand was likely to grow in 1987 at about the same rate as in 1986, exports were expected to continue their better performance of recent months. This should lead to balanced growth at a sustainable pace, which should help to allay some of the exaggerated fears about the effect of the fall in the oil price on the balance of payments.

Turning to the labour market, Mr Lawson pointed out that vacancies were at their highest level since 1979. Since 1983, 1 million new jobs had been created and total employment had recorded its longest period of uninterrupted growth for almost 30 years.

Conclusion

The Government had consistently sought to concentrate on medium- and long-term objectives, the Chancellor concluded. The medium-term financial strategy (see p 113, 1980) would continue to act as a disciplined and stable framework in which the private sector could plan. The ultimate objective remained the elimination of inflation. Within that framework the Government had implemented a series of policies to improve the supply side of the economy (see p 149). These included measures on deregulation (see pp 194-5), tax reduction (see p 197, 1979, and p 126), tax reform (see pp 126-8), privatisation (see pp 154-6) and wider share ownership (see p 125), all of which would bring increasing benefits over time.

The prospects were therefore good. The events of the past year had once again revealed the underlying strength of the British economy. Mr Lawson gave his assurance that he would do all in his power to maintain the policies that had brought about that strength.

The Stock Exchange: 'Big Bang'

In accordance with a schedule laid down in an agreement between The Stock Exchange and the Government made in 1983, the Exchange adopted a new trading structure on 27 October. The scale of the changes that took place was such that, in the period leading up to them, they had been colloquially referred to as the 'Big Bang'. Trading in the first two weeks following 27 October showed that quoted share prices were already becoming more competitive and that the value of daily turnover, the number of bargains and the number of shares traded had all increased significantly.

Three major changes actually came into effect on 27 October; a fourth had already taken place in March. The changes were: the ending of fixed minimum commissions for stockbrokers; the ending of 'single capacity'; the introduction of a computerised share information system; and the widening of the membership of the Exchange. (The ending of the system of fixed commissions for stockbrokers and the opening up of the membership had been the main points agreed between the Government and the Exchange in 1983, both parties having concluded by then that the Exchange would become uncompetitive, as regards other exchanges, if such changes were not made. The Government's part of the 1983 agreement was that it would drop the restrictive practices case being brought against The Stock Exchange by the Office of Fair Trading – see p 275, 1983.)

Under the old system, trading was effected by two distinct types of dealers – brokers and jobbers. The brokers acted as agents for the investing public and tried to get the best price for their clients by approaching a number of jobbers, people whose role was to make a market in shares by quoting buying or selling prices for them. Jobbers had no direct contact with the public; and brokers were not permitted, as they are on most other exchanges, to trade in shares which they held on their own account, as market makers. Brokers earned their income from a fixed scale of commissions attached to their sales or purchases; jobbers made a profit from their dealings in shares. From 27 October the distinction between brokers and jobbers ('single capacity') was abolished; and so were fixed commissions. The broking and jobbing functions still continue but a broker may now act as a principal and hold shares to buy and sell on his own account; and the fixed scale is replaced by negotiated commissions.

Considerable investment has been undertaken both by The Stock Exchange and its member firms in new technology, and from 27 October the Stock Exchange Automatic Quotation (SEAQ) system came into operation. Whereas formerly brokers had gone among jobbers on the floor of The Stock Exchange in order to collect a range of price quotations, these are now entered into the SEAQ electronic information system and are transmitted to brokers on visual display units. Subsequent trading is still done in person or by phone at present, but an automated dealing system is due to come into operation during 1987. On receiving a command, the computer of a broker will strike a bargain directly with the computer of the cheapest market maker.

The rules of The Stock Exchange had formerly restricted ownership of member firms mainly to members of the Exchange, but this had begun to have the effect of preventing the access of new capital funds to member firms. In March 1986, therefore, the rules had been changed to permit 100 per cent ownership of member firms by outsiders. As a consequence some 60 large-scale mergers have taken place between Stock Exchange member firms and other financial institutions and banks, both British and foreign, in the run up to 27 October.

The Stock Exchange's supervisory arrangements will also change following approval by its members on 12 November of a proposal that a new body, The Securities Association, should be created by a merger between the Council of the Stock Exchange and the International Securities Regulatory Organisation (see pp 332-3). The members of the latter body have already approved the merger. The new arrangements have been planned to meet the requirements of the Financial Services Act 1986 (see pp 51-4, 151-2 and 236-7), which is due to come fully into force in the latter half of 1987.

For further information see COI reference paper *Britain's Stock Exchange*, No 172/86.

Industrial Development Act Report

Details of the main schemes of aid to industry provided directly by the Department of Trade and Industry, the Scottish and Welsh Offices and the Department of Employment in 1985-86 are contained in the annual report on the Industrial Development Act 1982. Total payments of grants during the year amounted to nearly £550 million, the great bulk of this being spent on regional assistance.

The Industrial Development Act 1982 (see p 364, 1982) consolidates previous legislation, including the main provisions of the Industry Act 1972 (see p 267, 1972) on regional and national assistance.

The report [1] opens with an account of measures of regional support and goes on to describe national investment support and special assistance to shipbuilding and small firms. It concludes with a section covering miscellaneous items, commentaries by regional advisory boards, and statistical appendices.

The report recalls that the various schemes of assistance promoted by the Department of Trade and Industry were brought together under the general heading *Support for Business* in March 1985 (see p 321, 1984), and placed under one of four subheadings: support for business and technical advisory services; support for innovation; support for national and regional investment; and support for exports. The report is mainly concerned with the third of these

[1] *Industrial Development Act 1982.* Annual Report by the Secretaries of State for Trade and Industry, Scotland, Wales and Employment for the year ended 31 March 1986. HMSO, £6·80. ISBN 0 10 255286 X.

categories. Some support for national and regional investment unavoidably overlaps with support for innovation.

Regional Support

Regional development grants continued to provide the largest element of support to industry in the assisted areas[1] in 1985-86. Grants under the old 'three-tier' scheme which is in the process of being phased out (see pp 453-4, 1984) amounted to some £5,170 million in the period 1972-73 to 1985-86. In 1985-86 they totalled £320 million (£144 million in England, £96 million in Scotland and £80 million in Wales). Payments under the new two-tier scheme in 1985-86 were £23 million, £12 million and £4 million in the respective countries. Under the revised scheme grants are payable towards investment projects which 'create new, or expand existing productive capacity or effect a material change in the product or service in question or in the process of producing it'. The project must fall within the definition of qualifying activities and be in a Development Area (the higher of the two tiers in the new system).

Regional selective assistance is made available to encourage sound projects which will improve employment opportunities in the assisted areas. Projects qualifying for assistance fall into two broad categories: new projects and expansions which create new jobs; and projects for modernisation or rationalisation which safeguard existing employment. Selective assistance on a smaller scale is also available for office and service industries and for training grants. Some £214 million of regional selective assistance was offered and accepted in 1985-86 in respect of 924 projects with an estimated total cost of £2,316 million. Scotland accounted for £58 million, Wales for £47·9 million, and England for £107·7 million. Some 39,000 jobs were estimated to be created by these offers and a further 30,000 were expected to be safeguarded. Cumulative payments of regional selective assistance since 1972-73 amount to £920 million.

Under schemes of assistance from the European Regional Development Fund (ERDF) administered by the European Community, the Government received £39 million in claims against expenditure on regional development grant and regional selective assistance in 1985-86. The ERDF is also contributing £43 million towards a £62 million scheme of specific measures in areas affected by job losses in the steel, shipbuilding and textile and clothing industries (see pp 23-4, 1985); and is expected to contribute a further £5 million to a scheme for declining fisheries areas in northern England to which the Department of Trade and Industry committed £2·5 million in March 1986.

Under the exchange risk guarantee scheme, private industry is encouraged to take advantage of foreign currency loans available from European Community institutions. The borrower accepts only a sterling liability; the Government takes the exchange risk in return for an annual premium on the outstanding value of the loan. The scheme was run down for 'New Community Instrument' lending from December 1984 (see p 23, 1985) and for European Investment Bank (EIB) loans from July 1985. European Coal and Steel Community (ECSC) loans of up to £500,000, however, are still coverable. Cover was provided on EIB loans of £55 million during the year; and £85 million was disbursed in loans by the ECSC, of which some 90 per cent went to small firms.

Other expenditures during the year included £32 million of grant-in-aid to the English Industrial Estates Corporation (EIEC) to build and sell or let factories in the English assisted areas. The EIEC repaid the Department of Trade and Industry £9 million from rents and £11 million from capital receipts (mainly from sales of factories). The EIEC continues to concentrate on providing premises for small and high technology businesses.

National Investment Support

A range of assistance continues to be given as national investment support under section 8 of the Industrial Development Act. The schemes involved can be broadly categorised into general investment schemes and other measures directed at particular activities or industrial sectors. A total of £902 million had been offered as assistance towards 17,216 projects with a total cost of £5,192 million by the end of March 1986. Cumulative payments amounted to £677 million; payments in 1985-86 totalled £67 million.

The scheme known as Support for Major Projects (formerly National Selective Assistance) provides assistance for major projects in the manufacturing and service industries. Projects must be viable and offer the prospect of exceptional national benefit, and assistance is only offered for projects which would not proceed as proposed without assistance. Payments of £8·9 million during 1985-86 raised total spending under this scheme to £35 million since its inception in 1979. Offers of £63 million have now been made for 174 projects involving total investment of £626 million.

Under the Advanced Manufacturing Technology (AMT) Project Planning and Implementation Scheme (formerly known as the Flexible Manufacturing Systems Scheme), assistance of up to 50 per cent can be provided for consultancy studies and of up to 20 per cent towards the capital costs of installation. Small companies can attract 20 per cent grants towards the costs of installing a first robot. Total funds allocated to the programme comprised £55 million for the period June 1982 to June 1986 (although consultancy studies continue to be eligible for funding). Cumulative payments amount to £20 million in respect of 287 projects costing £203 million. Payments in the year to March 1986 were £8·5 million.

The Investment Support for Microelectronics Programme, announced in March 1984 as the successor to the Microelectronics Industry Support Programme, seeks to ensure that the electronic equipment industry has access to internationally competitive microelectronic devices and that Britain has a sound basis for maintaining a capability in such equipment. Assistance is offered on a selective basis and at 31 March 1986 some £26 million, out of the total of £120 million for the scheme up to 1990, had been offered towards 63 projects costing £177 million.

Investment Support for Fibre Optics and Opto-Electronics is a measure of support providing assistance towards the design and development of optical fibres, opto-electronics, optical sensors, instruments and production processes. Assistance may be given both under the Industrial Development Act 1982 and the

[1]The assisted areas are those parts of Great Britain which have the highest levels of unemployment and where the economic structure is weakest. See map on p 450, 1984.

Science and Technology Act 1965. At 31 March 1986 total assistance offered amounted to £38 million and payments were £21·3 million; £5·2 million of offers and £2·6 million of payments had been made under the 1982 Act.

Under the Coal Firing Scheme, which opened for applications in May 1981, capital grants of up to 25 per cent of the costs of converting or replacing oil and/or gas-fired industrial equipment with coal-fired equipment may be provided. The scheme is now administered by the Secretary of State for Energy and is open until 30 June 1987. Total offers to 31 March 1986 amounted to £47·6 million for projects costing £258 million. Payments totalled £28·5 million.

The report also gives details of the Support for Implementing Quality Assurance Schemes and the Assistance for the Development of Certification Schemes. The former are designed to help small firms to implement consultants' recommendations aimed at improving their quality assurance procedures to the level required for third party assessment based on the relevant British Standard. The second measure is designed to encourage the development of third party certification systems in line with one of the major recommendations in the White Paper, *Standards, Quality and International Competitiveness* (see pp 272-4, 1981). Details are also given of spending on a number of schemes which are now closed for new applications. In some cases they have been superseded by schemes described above.

Shipbuilding and Associated Industries

In the year to 31 March 1986 grants of £32 million were offered to secure orders for 29 ships through the Shipbuilding Intervention Fund. A change in international coventions for measuring gross registered tonnage means that the figure for 1985-86 cannot be aggregated with previous offers of assistance. Fund support offered between February 1977 and 31 March 1985 totalled £284 million covering orders for 215 ships.

Small Firms

Under the Small Firms Loan Guarantee Scheme the Government guarantees 70 per cent of bank loans up to £75,000 and repayable over two to seven years. At 31 March 1986 a cumulative total of 16,642 guarantees had been issued in respect of £541·2 million of bank lending to small firms since the start of the scheme in June 1981 (see p 103, 1981).

Counselling services are made available to small firms under the Act, and the number of new clients coming forward for counselling exceeded 25,000. Three initial sessions are provided free of charge to each client; subsequent ones must be paid for. The direct costs of counselling in 1985-86 amounted to £3·4 million (see pp 293-4).

Grants were again provided to local enterprise agencies, small business clubs and similar organisations providing advice to people carrying on small businesses or thinking of starting one up. Grants were also made to academic centres running projects concerned with management education and training for small businesses.

Inward Investment

The report draws attention to the Invest in Britain Bureau's participation in the 'Britain Means Business' campaign (see pp 383-4, 1984). While the Bureau recorded 305 decisions by overseas companies to invest or expand in Britain in 1985-86, the report notes that not all decisions of this kind are notified to the Department of Trade and Industry, and a comprehensive figure is not available (see pp 163-4). The amount of assistance offered to foreign-owned companies is another indicator of the level of inward investment. Assistance under the Industrial Development Act 1982 included £107 million in offers of regional selective assistance in 1985-86 for 124 projects estimated to cost £1,369 million. The projects were expected to create some 12,800 jobs and safeguard 8,700 others. Overseas companies accounted for 52 per cent of total project costs.

London's Orbital Motorway

The final section of the M25 London Orbital Motorway, the world's longest city bypass, has been opened to traffic. Plans for a new privately financed road bridge across the Thames at Dartford (Kent) to deal with the growing traffic needs of the M25 have been announced by the Government.

The final 13-km (8-mile) section of the M25 motorway was formally opened by the Prime Minister, Mrs Margaret Thatcher, on 29 October. The motorway is 188 km (117 miles) long and circles London at a radius of between 21 and 35 km (13 and 22 miles) from Charing Cross in central London. Parts of the M25 were planned or begun as separate relief roads north and south of London, but in 1975 the then Minister for Transport announced that these would be subsumed into a single motorway ring to be known as the London Orbital Motorway (M25). Work had begun in 1972 and the first section was opened in 1975. Total cost of the motorway is estimated at nearly £1,000 million and 15 main contractors have helped to build it. Most of the motorway is of dual three-lane standard, but near Heathrow Airport it is dual four-lane to cope with the expected volume of traffic. It has become Britain's busiest motorway, with traffic levels near Heathrow reaching a daily average flow of some 106,000 vehicles by June 1986.

The motorway has brought two main benefits, according to an illustrated brochure produced by the Department of Transport to commemorate the opening.[1] First, for the traveller it provides 'easier, faster and cheaper routes round the capital', so that business and leisure traffic can avoid the congested streets of London and of neighbouring towns and villages. In particular, the M25 provides much improved routes from the Midlands and the North to the ports in south-east England (such as Dover) and very rapid connections between the four main airports in the South East (Heathrow, Gatwick, Luton and Stansted). Several motorways are linked by the M25 including the M1 to the Midlands and the North, the M3 to Hampshire, the M4 to south Wales, the M11 to Cambridge, the M20 and the A2 road (leading to the M2

[1] *The M25 Orbital Motorway*. Available unpriced from the Department of Transport, 479 Whippendell Road, Watford WD1 7PS.

motorway) to Kent, and the M23 to Sussex. Secondly, many residents have gained from improvements in their local environment. By diverting vehicles (particularly heavy goods vehicles) away from main roads through London, the M25 has relieved a number of communities of much of the noise, dirt and vibration that previously affected their quality of life. Several towns and villages on the outskirts of London which used to experience a substantial volume of traffic have also benefited by the removal of through traffic.

Thames Bridge

At present to the east of London the northern and southern sections of the M25 are connected by twin tunnels under the Thames at Dartford, which are operated by Essex and Kent county councils. Traffic forecasts indicate a substantial build-up of traffic by the early 1990s which would place considerable strain on the capacity of the tunnels. Accordingly, in 1985 the Department of Transport announced that further crossing capacity would be provided at Dartford and seven promoters submitted proposals for a new bridge or tunnel. The Government's decision that the crossing should be a privately financed bridge, to be designed, built, financed and operated by the Trafalgar House group's Dartford River Crossing Company, was announced by the Secretary of State for Transport, Mr John Moore, on 29 September. Mr Moore said that for the first time the private sector was being involved fully, not only in the design but in the finance of a major new road project. This 'whole project' approach was 'a major innovation allowing full potential for the benefits of private sector management' and would enable motorists to benefit by having this project in addition to the Government's own roads programme, reflecting 'the Government's high priority for roads'.

Work on the £86 million project could start in late 1987 or early 1988, subject to parliamentary approval, and Trafalgar House estimates that construction could be completed in two and a half years. The bridge, with an overall length of 2,700 m (8,900 ft), would be a cable-stayed structure with a main span of 450 m (1,500 ft), making it the largest of its type in Britain and among the longest in the world. The company would also take over responsibility for the existing twin tunnels. Tolls on the crossing would be maintained at the current levels in real terms. Details of the concession agreement with the company are still being negotiated, but the concession would last until the remaining debt on the tunnels and the costs of the bridge and of operating the whole crossing were paid off. The Government estimates that this might take 14 to 15 years, but a maximum period of 20 years would be set, after which the bridge and tunnels would revert to the Government.

Shorter Notes

INVISIBLE TRADE

A report from the British Invisible Exports Council on world invisible trade in 1984 – the latest year for which a full international comparison is possible – shows that Britain retained second place, behind the United States, in terms of the size of its surplus. Britain was in third place, behind the United States and France, in invisible receipts and in fifth place, behind the United States, the Federal Republic of Germany, Japan and France, in invisible payments. (Miscellaneous government transactions were excluded from both sides of the account.) Britain's receipts were 7·7 per cent of the world total and its payments 5·2 per cent. Between 1983 and 1984 Britain's receipts and payments – and hence its surplus – were virtually unchanged.

Source: *World Invisible Trade*. British Invisible Exports Council, 6th Floor, Dunster House, 37 Mincing Lane, London EC3R 7BQ. £7.

HELP FOR THE UNEMPLOYED

Four new initiatives to help the unemployed to find work, including a new Job Training Scheme, wider testing of the Restart Programme and an expansion in the number of Jobclubs, were announced by the Secretary of State for Employment, Lord Young, on 9 October. Lord Young said that the new and extended programmes would enable the Government to test the possibility of offering all those under 25 who had been unemployed for six months 'a positive opportunity to get back into work'.

Following a number of pilot initiatives to help the long-term unemployed, which began in nine areas in January 1986 (see pp 390-1, 1985), a Restart Programme was announced in the Budget (see p 124), under which everyone unemployed for a year or more is being offered an in-depth interview at a local jobcentre between July 1986 and March 1987. The interviews are designed to see whether the participants can be placed in a suitable job, enter the Enterprise Allowance Scheme (see below), take up a place on the Community Programme (which provides up to a year's employment for long-term unemployed adults on projects of benefit to local communities), enter a suitable training course, work on voluntary projects or participate in a Jobclub. Under the extension of the programme interviews in the original nine pilot areas are now being conducted for people unemployed for six months or more as well as for those unemployed for more than a year. The arrangements are similar except that the Jobstart allowance, a payment of £20 a week for six months to people unemployed for over one year who take a full-time job with gross weekly earnings of less than £80, is not available.

Tests of the new Job Training Scheme, which will provide six months of training and work experience leading to a recognised qualification, will be held in the nine pilot areas. Entry to the pilot training programme will be open to anyone unemployed for more than six months who has attended a Restart interview in a pilot area, although priority will be given to those aged under 25.

The number of Jobclubs, self-help centres for those unemployed for six months or more, is to be increased from 250 to 1,000 by March 1987 and, if the need continues, to 2,000 by September 1987. The Jobclubs, which Lord Young described as 'a great success

story', help the unemployed to find jobs by providing free telephones and postage, and expert assistance in writing job applications. About two-thirds of people leaving Jobclubs enter employment. For the first time the private sector is to be invited to help run Jobclubs.

The fourth initiative involves a relaxation in the rules governing the Enterprise Allowance Scheme, under which payments of £40 a week for up to a year can be made to the unemployed to set up in business. Previously, unemployed people have not been able to benefit from the scheme if they wished to operate under restrictions imposed by another business, as in franchising, but under the new rules a business will no longer need to be wholly independent to qualify for support. Lord Young said that the scheme had proved 'a popular and successful means of encouraging unemployed people to become self-employed and to create thriving new businesses'; the scheme is being expanded from April 1987 to provide for 100,000 entrants a year, compared with 86,000 places available during 1986-87.

Source: Department of Employment press notice, 9.10.86.

SMALL FIRMS AND JOB CREATION

A study of some 650,000 firms in Britain of various sizes has shown that in 1982-84 small firms were net generators of jobs and large firms were net losers. The study was undertaken by Professor Colin Gallagher of Newcastle University and Dr John Doyle, with support from the Department of Employment, and followed up earlier research (see p 320, 1984).

The study was based on an analysis of the firms in six different size categories, according to the number of people employed. The actual numbers of employees in each category were: 1-19; 20-49; 50-99; 100-499; 500–999; and 1,000 and over. For each category a study was made of the total number of people employed at the start of the period in question, and an account was kept of the additions to or subtractions from the number of employees – whether resulting from the taking on of new staff, the shedding of staff, or the failure of a business as a whole. The study shows that only in the 1-19 employee category was there net growth in employment. There was neither growth nor loss in the 20-49 category, but all the other four categories showed a net loss of employment, the three largest categories having the greatest losses. In broad terms, firms with 1-19 employees had an annual job creation rate of 3 per cent. Firms employing 1,000 people or more, however, had an annual job loss rate of 6 per cent.

The study also looked at job creation resulting from the birth of completely new firms. Here again, firms with 1-19 employees made the greatest contribution, providing 57 per cent of jobs in new firms in 1982-84.

Self-employment, which has contributed significantly to the growth of new jobs in recent years (see p 124, 1985), was not covered by the study.

Source: *British business*, 17.10.86.

TRUSTEE SAVINGS BANKS FLOTATION

Following the completion in July of the legal processes necessary to enable the Trustee Savings Banks Group to reorganise itself within the framework of conventional company law (see pp 19-20, 1985), the Group issued a prospectus on 16 September announcing its public flotation through the offer of some 1,500 million shares The offer closed on 24 September. The shares were priced at £1 each, of which 50p was payable initially. Some 140 million shares formed part of a free offer to employees or were retained as loyalty bonus shares. The remaining 1,360 million shares were allocated as follows: 64 million to employees; 613 million to customers; and 683 million to the general public. There were about 5 million applicants in all, comprising 1·3 million employees and customers (who had preferential applications) and 3·7 million members of the public, and the issue was about eight times oversubscribed. All preferential applicants were assured of an allocation of shares: employees received at least 50 per cent of their application; customers received at least 10 per cent; and any customers applying for 400 shares or fewer received a full allocation. The allocations were generally weighted in favour of small investors, and applicants who asked for over 3 million shares received none. Applications from members of the public were entered into a ballot and half of the applicants were not allocated any shares. As a result some 3·15 million shareholders were created by the sale, exceeding the previous record of 2·4 million shareholders created by the sale of shares in BT two years previously (see pp 453-4, 1984).

The proceeds of the sale will be used by the Group to strengthen its capital resources and to expand the range of its services and invest in new technology.

Source: Trustee Savings Banks Group.

USE OF PRIVATE SECTOR SERVICES BY GOVERNMENT DEPARTMENTS

Following a multi-departmental review of competitive tendering and contracting out of services in government departments, the Government will consider all its activities to see which could be put to competition, the Chief Secretary to the Treasury, Mr John MacGregor, announced on 14 October. The Government's policy is to subject as much work as possible to competition and to contract work out whenever it would be commensurate with sound management and good value for money.

The review says that scrutinies in six government departments established that contracting out was 'viable over a wide range of activities in government', and that competitive tendering (involving testing the efficiency of internal services against tenders from outside contractors) is 'improving efficiency by introducing the discipline of drawing up a proper specification, exposing outdated and restrictive practices, and pointing up opportunities to deliver better services at lower cost'. Contracting out services yields savings in money and manpower, while providing satisfactory or improved services and advantages in terms of management control; departments are also discovering the

benefits of contracting out in areas other than the traditional support functions (such as cleaning and catering). Substantial progress has occurred in the basic ancillary services, with 84 per cent of cleaning, 82 per cent of maintenance and 73 per cent of laundry services contracted out. The review says that departments should now look at all activities to see if they offer scope for contracting out. It also makes a number of other recommendations on the policy and practice of contracting out, and says that similar principles could also be applied in the National Health Service, local government and non-departmental public bodies.

Mr MacGregor said that competitive tendering in government departments had resulted in a net annual saving to the taxpayer of £22 million, while it had also brought annual savings of £63 million in the National Health Service and about £25 million in local government. Furthermore, efficiency scrutinies in government departments had led to improvements worth some £300 million a year. As well as looking at all departmental activities, the Government would set targets for reviewing the proportion of departmental activities to be put to competition each year, and would ensure that progress towards these targets would be systematically monitored by senior officials. Legislation would also be introduced to require local authorities to tender for more services including refuse collection, street cleaning, cleaning of buildings, ground and vehicle maintenance, and catering.

Sources: *Using Private Enterprise in Government.* Report of a multi-departmental review of competitive tendering and contracting for services in government departments. HM Treasury. HMSO, £4·30. ISBN 0 11 560009 4. HM Treasury press notice, 14.10.86.

OPTICAL FIBRE SUBMARINE CABLE LINKS

The world's first international optical fibre submarine cable, running between Britain and Belgium, was formally opened on 29 October. Optical fibres (very thin strands of glass capable of carrying large numbers of telephone calls simultaneously) have already helped to improve transmission of telephone calls within Britain; the cables are smaller than conventional cables and require less amplifying equipment to boost long-distance telephone calls. By March 1986 British Telecom had nearly 125,000 km (78,000 miles) of optical fibre cable laid in its trunk network, accounting for some 40 per cent of the network, a higher proportion than any other telephone operator.

The 120-km (75-mile) link between Broadstairs (Kent) and Ostend has a capacity of over 11,500 circuits, three times that of the largest conventional coaxial submarine cables, and represents a substantial increase in capacity across the North Sea, which previously amounted to about 23,000 circuits in 12 cables. It enables British Telecom International (responsible for British Telecom's international links) and the other owners (the telecommunications authorities of Belgium, the Federal Republic of Germany and the Netherlands) to offer a range of enhanced digital telecommunications services including high-speed data communications facilities.

British Telecom International is involved in the development of a number of other optical fibre submarine cables. A £32 million project has been agreed for a system to be laid between Britain and Denmark, which should be in service in 1988. Work will begin in the autumn of 1987 on laying the first transatlantic optical fibre cable, running some 3,600 nautical miles (6,660 km) between North America and Europe, with the landing point in Britain being Widemouth Bay (Cornwall). The cable will have a potential capacity equivalent to 38,000 telephone circuits, more than three times the total capacity of the existing transatlantic cable network. An agreement was signed in May 1986 by British Telecom International with partners in Canada, France, Spain and the United States for a further high-capacity transatlantic optical fibre cable, planned to enter service in 1991. It will involve a major development in the technology of this type of cable with the fibres being operated at a more efficient wavelength, thereby reducing the number of amplifiers needed, and the transmission rate being twice that planned for earlier cables.

Source: British Telecom press notice, 29.10.86.

TOURISM INITIATIVE

A national initiative aimed at creating at least 2,500 jobs in tourism during its first year, and possibly twice that number, has been launched jointly by the English Tourist Board (ETB) and the Manpower Services Commission (see p 275). The initiative will involve the creation of extra places on the Government's Community Programme (which provides a year's employment for the long-term unemployed on projects of benefit to the community – see p 124) in order to improve provisions and facilities for tourists.

Projects of five main kinds will be promoted. The work of Tourist Information Centres will be supplemented. Help will be given to coastal resorts to help them implement development plans formulated for the ETB's 'Resorts 2000' competition. Assistance will be given to the Holiday Care Service, a charity set up in 1981, which helps people with special needs to find a holiday, by carrying out surveys of holiday accommodation to assess its suitability. The Tourism Development Action Programme being set up around England to promote and plan tourism development will be assisted. And finally there will be help for the tourist trade to provide schemes which will benefit both the community and the visitor.

Speaking in London at the launch of the initiative, the Secretary of State for Employment, Lord Young, said that the ETB was initially aiming to create 2,500 Community Programme places, but he hoped that the initiative would stimulate many more ideas within the regions. The challenge, he said, was to create at least double the number of places within the first year. Tourism and leisure had enormous potential for growth, job creation and enterprise, and offered a wide range of opportunities for people with all levels of skills. Experience gained on tourism-related projects might well assist people to find long-term employment in the industry.

Source: Department of Employment press notice, 15.10.86.

SOCIAL AND CULTURAL AFFAIRS

Uprating of Social Security Benefits

Increases in social security benefits to take effect from 6 April 1987 have been announced by the Secretary of State for Social Services. This increase completes the transition to the new timetable for benefit uprating which in future will take place annually in April, thus bringing social security into line with the income tax year. The new rates reflect a rise in the retail price index of 2·1 per cent between January and September 1986 and, as a result of the uprating, expenditure on social security in 1986-87 will rise by £700 million to £43,000 million, about one-third of all public expenditure.

The new benefit rates were announced in the House of Commons on 22 October by the Secretary of State for Social Services, Mr Norman Fowler (*Hansard*, Vol 102, No 160, cols 1174-90). The main points of Mr Fowler's statement are as follows.

Pensions

The retirement pension for a married couple will rise from £61·95 to £63·25 a week and for a single person from £38·70 to £39·50. Public service pensions will be increased by the same percentage, as will widows' pensions and benefits for disabled people.

Unemployment Benefit

The basic rate of unemployment benefit will be increased from £30·80 to £31·45 for a single person.

Benefits for the Disabled

Benefits payable to sick and disabled people, including sickness benefit, invalidity benefit, severe disablement allowance and invalid care allowance, will all rise by 2·1 per cent, as will attendance allowance and mobility allowance.

Benefits for Children

In considering the uprating of child benefit, account has been taken of priorities within the social security budget and it has been decided that child benefit will be increased from £7·10 to £7·25 a week, an increase which is fully in line with the increase in prices.

Family income supplement will rise by between 2·1 and 2·3 per cent, depending on the age of the child. This will ensure that for low income working families with older children on family income supplement the real value of the benefit will have increased by some 20 per cent since 1978.

Supplementary and Housing Benefits

The short-term rate of supplementary benefit will increase from £29·80 to £30·40 for a single person and from £48·40 to £49·35 for a couple. Additional requirements in the supplementary benefit scheme will be increased in line with appropriate elements of the retail price index. Since the cost of fuel and light has remained stable there will be no change in heating additions, but dietary additions will be increased – by 10p a week for someone receiving the higher rate of addition. As with the previous uprating in July, the increase in the basic needs allowance for housing benefit will be linked to the cash increase in the basic retirement pension and in child benefit, thus ensuring that virtually no pensioner will lose housing benefit as a result of the increase in retirement pension.

BENEFIT RATES

Main Contributory and Non-Contributory Benefits

The payment of some benefits – such as retirement, or widow's and invalidity pensions and sickness and unemployment benefit – depends on contributions paid under the National Insurance scheme. Other benefits do not depend upon contributions: the main one is child benefit, but there are also a number providing special help, for example, for disabled people.

	Existing weekly rate £	*Proposed weekly rate* £
Child benefit		
each child	7·10	7·25
One parent benefit		
first or only child of certain lone persons	4·60	4·70
Retirement and widow's pensions, and widowed mother's allowance		
single person	38·70	39·50
wife or other adult dependant	23·25	23·75
Earnings limit for retirement pensioners	75·00	75·00
Invalidity pension		
single person	38·70	39·50
spouse or other adult dependant	23·25	23·75
Invalidity allowance		
higher rate	8·15	8·30
middle rate	5·20	5·30
lower rate	2·60	2·65
Unemployment benefit		
single person	30·80	31·45
wife or other adult dependant	19·00	19·40

	Existing weekly rate £	*Proposed weekly rate* £
Sickness benefit		
single person	29·45	30·05
wife or other adult dependant	18·20	18·60
Widow's allowance (first 26 weeks of widowhood)	54·20	55·35
Maternity allowance	29·45	30·05
Attendance allowance		
higher rate	30·95	31·60
lower rate	20·65	21·10
Severe disablement allowance	23·25	23·75
Invalid care allowance	23·25	23·75
wife or other adult dependant	13·90	14·20
Mobility allowance	21·65	22·10
Guardian's allowance, child's special allowance	8·05	8·05
Rate of benefit for children of: widows; invalidity and retirement pensioners; invalid care beneficiaries; unemployment and sickness beneficiaries when claimant is over pension age	8·05	8·05

Industrial Injuries Benefits

Industrial injuries benefits are payable to employed people who suffer injuries caused by an accident at work or from a prescribed industrial disease. Disablement benefit is usually paid after a qualifying period of 15 weeks if there is a loss of physical or mental faculty. (During the qualifying period sick pay or sickness benefit is payable.)

	Existing weekly rate £	*Proposed weekly rate* £
Disablement benefit (100 per cent assessment)	63·20	64·50
unemployability supplement	38·70	39·50
special hardship allowance (maximum)	25·28	25·80
constant attendance allowance (normal maximum), exceptionally severe disablement allowance	25·30	25·80
Industrial death benefit		
widow's pension during the first 26 weeks of widowhood	54·20	55·35
higher permanent rate	39·25	40·05
lower permanent rate	11·61	11·85

Main Supplementary Benefits

Supplementary benefits are payable to people who are not in full-time work and whose financial resources fall below a certain level. The amounts shown below are the weekly levels laid down for the requirements of married couples, single householders and others. Benefit awarded is the difference between resources and these requirements. The long-term rates apply to claimants over 60, most disabled people, and to those people below the age of 60 who have received supplementary benefit continuously for two years, provided that the award has not been subject to the condition of registering for employment.

	Existing weekly rate £	*Proposed weekly rate* £
Ordinary rate		
couple	48·40	49·35
person living alone	29·80	30·40
non-householder aged:		
18 and over	23·85	24·35
16-17 years	18·40	18·75
Long-term rate		
couple	60·65	61·85
person living alone	37·90	38·65
non-householder aged:		
18 and over	30·35	30·95
16-17 years	23·25	23·70
any other person aged:		
11-15 years	15·30	15·60
under 11 years	10·20	10·40
Heating additions	2·20-5·55	2·20-5·55
Special dietary additions	1·60-10·65	1·65-10·85

Family Income Supplement

Family income supplement is a benefit for families with small incomes where the head of the household is in full-time work and where there is at least one dependent child. It is payable when the gross weekly income of the family falls below a prescribed amount. The amount varies according to the number of children in the family, but is the same for single- and two-parent families. 'Full-time work' means, for the purposes of this benefit, work of at least 30 hours a week for two-parent families or 24 hours a week for one-parent families.

	Existing weekly rate £	*Proposed weekly rate* £
Prescribed amount, family with one child		
child under 11	98·60	100·70
11-15	99·60	101·75
16 and over	100·60	102·80
Increase for each additional child		
child under 11	11·65	11·90
11-15	12·65	12·95
16 and over	13·65	14·00
Maximum amount payable, family with one child		
child under 11	25·30	25·85
11-15	25·80	26·40
16 and over	26·30	26·90
Increase for each additional child		
child under 11	2·55	2·60
11-15	3·05	3·15
16 and over	3·55	3·65

Main War Pensions

War pensions are payable to people disabled as a result of service in the armed forces, to people disabled from injuries in the Merchant Navy or Civil Defence during wartime, or to civilians injured by enemy action.

	Existing weekly rate £	*Proposed weekly rate* £
Disablement pension for private at 100 per cent rate	63·20	64·50
Age allowance, depending on degree of disability	4·40-13·70	4·50-14·00
Unemployability allowances		
personal allowance	41·10	41·95
increase for wife or other adult dependant	23·25	23·75
increase for each child	8·05	8·05
Constant attendance allowance		
normal maximum	25·30	25·80
Comforts allowance		
higher rate	10·90	11·10
lower rate	5·45	5·55
Mobility supplement	24·05	24·55
Allowance for lowered standard of occupation (maximum)	25·28	25·80
Exceptionally severe disablement allowance	25·30	25·80
Severe disablement occupational allowance	12·65	12·90
Clothing allowance (annual rate)		
higher rate	86·00	88·00
lower rate	55·00	56·00
Widow's pension (private's widow)		
standard rate	50·30	51·35
childless widow under 40	11·61	11·85
Rent allowance (maximum)	19·15	19·55
Age allowance for elderly widows		
age 65-69	5·40	5·50
age 70-79	10·80	11·00
age 80 and over	13·55	13·85

Housing Benefit

Housing benefit, which is administered by local authorities, is available to claimants needing help with housing costs. The needs allowances are the levels laid down to cover basic weekly living expenses. The amount of benefit payable is determined by taking into account income and other factors.

	Existing weekly rate £	*Proposed weekly rate* £
Needs allowances		
single person	48·10	48·90
couple/single parent	70·85	72·15
single handicapped person	53·65	54·50
couple (one handicapped) or single handicapped parent	76·40	77·75
couple (both handicapped)	79·00	80·45
dependent child addition	14·60	14·75
pensioner addition	0·85	0·85

City Technology Colleges

The Government plans to set up a network of city technology colleges in urban areas. They will provide a broadly based secondary education with a strong technological element and in so doing offer a wider choice of schools and a better preparation for adult and working life to young people. The colleges will be independent of local education authorities but part of the public system of education.

Speaking to the Education and Training Committee of the Confederation of British Industry on 14 October, the Secretary of State for Education and Science, Mr Kenneth Baker, said that educational standards were not rising fast enough and that young people needed to be better equipped for adult and working life. More young people should be staying on in full-time education as many, particularly in the cities, were achieving less than they might. They should be receiving a broad secondary education with a sizeable technical element as this was what most parents, teachers and employers wanted. It was necessary, therefore, to create a new appetite for full-time education and training and one way of doing this was to give parents and pupils a greater choice of schools through the introduction of the city technology colleges.

Proposals

The Government's proposals for the city technology colleges are described in a booklet [1] published on 14 October. The intention is to establish a pilot network of 20 city technology colleges in certain urban areas, including some where there is acute social deprivation. The colleges will normally cater for pupils of all abilities in the 11 to 18 years age range, who will be drawn from substantial catchment areas and be selected on the basis of their aptitude and readiness to take advantage of the type of education offered in the colleges and their parents' commitment to that type of education. The colleges are to be registered as independent schools and be subject to government inspections, but will not charge fees. They will be owned or leased by sponsors, have charitable status and be non-profit-making. Sponsors will come from industry and commerce, educational trusts, charities and other voluntary organisations. They will be expected to meet all, or most, of the costs of buildings and equipment, while the Government is to contribute to covering running costs at similar levels to those provided by local education authorities for maintained schools in comparable areas. Responsibility for employing teachers and other staff and for the general management of the colleges will rest with the sponsors.

A broad and balanced curriculum will be offered by the colleges; it will contain a strong technical and practical element tailored to the changing demands of adult and working life in an advanced industrial society. A considerable amount of time will be devoted to teaching science and technology and mathematics as well as English, the humanities, arts and foreign languages. Additionally, work experience will form an integral part of the curriculum. Emphasis will be placed on the development of the qualities of enterprise, self-reliance and responsibility in pupils, and it is likely that the school day and term will be longer at the colleges than at other schools.

The Government expects the first city technology colleges to come into operation in 1988, with a total of 20 functioning by 1990.

[1] *City Technology Colleges: A New Choice of School.* Available free from the Department of Education and Science, Publications Despatch Centre, Honeypot Lane, Canons Park, Stanmore, Middlesex HA7 1AZ.

Shorter Note

SUPPORT FOR THE ARTS

The Government's Business Sponsorship Incentive Scheme has encouraged businesses to give a total of £7·47 million to the arts since its inception two years ago (see pp 236-7, 1984). The Government has made associated contributions of £3 million and nearly 600 companies have taken part. Recent examples of business sponsorship of arts projects include support for the English National Opera to perform a series of three Mozart operas; the English Shakespeare Company's inaugural tour of Britain; the Royal Academy's 'New Architecture' exhibition; and a series of concerts by the Royal Philharmonic Orchestra.

On 14 October the Government launched a campaign to ensure that arts and business organisations are aware of the tax concessions on charitable donations, which were announced in the Budget earlier this year, from which the arts may benefit (see p 125).

Sources: Office of Arts and Libraries press notices, 14.10.86 and 15.10.86.

DOCUMENTATION

Government and Administration

The Houses of Parliament. COI, No 50/86.

Statement of Change in Immigration Rules (see p 343). Lists those countries whose citizens need visas to enter the United Kingdom. Cmnd 9914. HMSO, 45p. ISBN 0 10 199140 1.

Statement of Change in Immigration Rules (see p 343). Adds Ghana to the list in Cmnd 9914. HC 584. HMSO, 45p. ISBN 0 10 258486 9.

Illegitimacy (Second Report): Law Commission Report No 157. This report recommends the introduction of legislation to remove the need to describe children born in England and Wales to parents not married to each other as 'illegitimate' in legislation or legal documents. It also proposes a general rule of automatically including these children in references to children in future legislation or legal documents unless the contrary is stated. Cmnd 9913. HMSO, £6·50. ISBN 0 10 199130 4.

The Prison Disciplinary System in England and Wales. Contains government proposals for the future of disciplinary arrangements in prisons in England and Wales; these will be introduced in the forthcoming Criminal Justice Bill. Cmnd 9920. HMSO, £3·80. ISBN 0 10 199200 9.

External Affairs and Defence

British Indian Ocean Territory. COI, No 186/86.

Economic and Scientific Affairs

Britain's Economy: the 1985 National Accounts. (Reproduced from Survey of Current Affairs.) COI, No 288/86.

Autumn Statement 1986. HM Treasury. Cm 14. HMSO, £4·80. ISBN 0 10 100142 8.

Britain's Economy: Chancellor's Autumn Statement. (Reproduced from *Survey of Current Affairs.*) COI, No 253/86.

VAT Small Business Review. HM Customs and Excise. A consultation paper forming part of a review, to be completed by mid-1987, to see whether the VAT burden on small businesses can be reduced (see pp 194-5). Available free from General Information Branch, HM Customs and Excise, King's Beam House, Mark Lane, London EC3R 7HE.

World Invisible Trade (see p 364). British Invisible Exports Council, 6th Floor, Dunster House, 37 Mincing Lane, London EC3R 7BQ. £7.

Alvey Programme Annual Report 1986. Alvey Directorate. The report and project supplement are available, price £15 each, from the Institute of Electrical Engineers, PO Box 8, Southgate House, Stevenage, Hertfordshire SG1 1HQ.

Enterprise Ulster. Twelfth Annual Report, 1984-85. HMSO (Belfast), £5·40. ISBN 0 337 09251 6.

Industrial Development Act 1982: Annual Report 1985-86 (see p 361). HMSO, £6·80. ISBN 0 10 255286 X.

Using Private Enterprise in Government (see p 365). Report of a multi-departmental review of competitive tendering and contracting for services in government departments. HM Treasury. HMSO, £4·30. ISBN 0 11 560009 4.

Quality Counts. Department of Trade and Industry. Published as part of the National Quality Campaign (see p 173, 1983), this booklet underlines the importance of quality as a factor in competitiveness, and sets out the steps the Government has taken since the White Paper, *Standards, Quality and International Competitiveness* (see pp 272-3, 1982). Available free of charge from IBIS Information Services, Waterside, Lowbell Lane, London Colney, St Albans, Hertfordshire AL2 1DX.

Finance for Growth: A study of small and medium-sized firms in the electronics sector. National Economic Development Council. Available, price £3·50, from NEDO Books, Millbank Tower, Millbank, London SW1P 4QX.

The M25 Orbital Motorway (see p 363). Available unpriced from Department of Transport, 479 Whippendell Road, Watford WD1 7PS.

Port Statistics 1985. Department of Transport and British Ports Association. Available from British Ports Association, 1-19 New Oxford Street, London WC1A 1DZ. £25.

Social and Cultural Affairs

On the State of the Public Health for the Year 1985. The annual report of the Chief Medical Officer of the Department of Health and Social Security. HMSO, £8·30. ISBN 0 11 321068 X.

Historic Buildings and Monuments Commission for England. Report and Accounts 1985-86. Available from English Heritage Stores, Building 1, Victoria Road, South Ruislip, Middlesex HA4 0NZ. £6.

Guide to Safety at Sports Grounds. In the light of the findings of the Popplewell Inquiry (see pp 75-6), the guide places new emphasis on management responsibility for the safety of spectators and advice on the need for effective, trained, stewarding and fire safety measures. Home Office and Scottish Office. HMSO, £2·50. ISBN 0 11 340840 4.

© *Crown copyright 1986*
Printed in the UK and Published by
HER MAJESTY'S STATIONERY OFFICE
£1.80 net

Annual subscription including indices and postage £22·50
Dd 8844436 C10 NOVEMBER/1986
ISBN 0 11 722829 X Vol. 16 No. 11
ISSN 0039—6214